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# BUSINESS WEEK

A MCGRAW-HILL PUBLICATION

TWENTY-FIVE CENTS

AUG. 17, 1957



DETROIT—Has the auto industry outgrown its capital city?

(Regions)

E. B. POWER  
UNIVERSITY MICROFILMS  
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2-C  
ANN ARBOR MICH



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## GENERAL BUSINESS

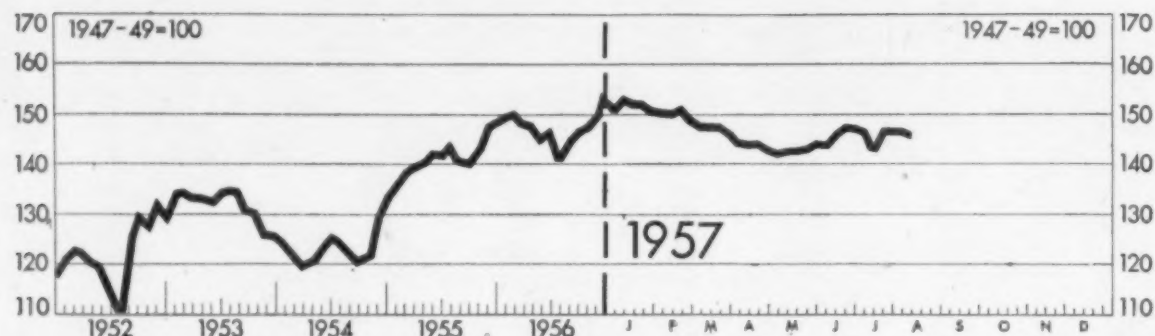
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# FIGURES OF THE WEEK



**BUSINESS WEEK INDEX** (chart) . . . . . **91.6** **146.3** **144.3** **†147.4** **\*146.9**

## PRODUCTION

	1946 Average	Year Ago	Month Ago	Week Ago	\$ Latest Week
Steel ingot (thous. of tons).....	1,281	2,154	2,030	†2,043	<b>2,097</b>
Automobiles and trucks.....	62,880	133,257	143,700	†140,253	<b>139,014</b>
Engineering const. awards (Eng. News-Rec. 4-wk daily av. in thous.).....	\$17,083	\$53,636	\$69,344	\$61,638	<b>\$62,702</b>
Electric power (millions of kilowatt-hours).....	4,238	11,530	11,964	12,474	<b>12,070</b>
Crude oil and condensate (daily av., thous. of bbls.).....	4,751	7,086	6,882	6,843	<b>6,797</b>
Bituminous coal (daily av., thous. of tons).....	1,745	1,534	1,875	†1,668	<b>1,617</b>
Paperboard (tons).....	167,269	273,441	153,861	282,952	<b>279,462</b>

## TRADE

Carloadings: miscellaneous and L.C.I. (daily av., thous. of cars).....	82	63	68	64	<b>66</b>
Carloadings: all others (daily av., thous. of cars).....	53	47	54	58	<b>58</b>
Department store sales index (1947-49 = 100, not seasonally adjusted).....	90	104	94	101	<b>103</b>
Business failures (Dun & Bradstreet, number).....	22	229	256	281	<b>265</b>

## PRICES

Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100).....	311.9	422.6	428.6	430.0	<b>428.0</b>
Industrial raw materials, daily index (BLS, 1947-49 = 100).....	††73.2	96.4	92.7	92.8	<b>92.7</b>
Foodstuffs, daily index (BLS, 1947-49 = 100).....	††75.4	82.5	86.6	86.4	<b>85.9</b>
Print cloth (spot and nearby, yd.).....	17.5¢	18.6¢	17.9¢	17.9¢	<b>17.9¢</b>
Finished steel, index (BLS, 1947-49 = 100).....	††76.4	166.1	†181.4	181.5	<b>181.5</b>
Scrap steel composite (Iron Age, ton).....	\$20.27	\$56.83	\$54.17	\$53.83	<b>\$53.50</b>
Copper (electrolytic, delivered price, E & MJ, lb.).....	14.045¢	39.975¢	29.185¢	28.905¢	<b>28.480¢</b>
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$1.97	\$2.18	\$2.14	\$2.13	<b>\$2.09</b>
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	**30.56¢	33.01¢	34.00¢	33.87¢	<b>33.69¢</b>
Wool tops (Boston, lb.).....	\$1.51	\$1.83	\$2.22	\$2.22	<b>\$2.22</b>

## FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	17.08	48.98	48.91	47.29	<b>46.44</b>
Medium grade corporate bond yield (Baa issues, Moody's).....	3.05%	3.93%	4.72%	4.77%	<b>4.81%</b>
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	¾-1%	3¼%	3%	3%	<b>4%</b>

## BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	††45,820	55,428	54,750	†55,550	<b>55,096</b>
Total loans and investments, reporting member banks.....	††71,916	84,402	87,581	†87,594	<b>85,955</b>
Commercial and agricultural loans, reporting member banks.....	††9,299	28,727	32,186	†31,738	<b>31,742</b>
U. S. gov't guaranteed obligations held, reporting member banks.....	††49,879	25,825	26,020	25,241	<b>24,821</b>
Total federal reserve credit outstanding.....	23,888	25,182	25,792	24,932	<b>25,124</b>

## MONTHLY FIGURES OF THE WEEK

	1946 Average	Year Ago	Month Ago	Latest Month
Housing starts (in thousands).....	55.9	101.1	97.0	<b>96.0</b>
Average weekly earnings in manufacturing.....	\$43.82	\$78.60	\$82.80	<b>\$82.99</b>
Employment (in millions).....	55.2	66.4	66.5	<b>67.2</b>
Unemployment (in millions).....	2.3	3.1	3.3	<b>3.0</b>
Wholesale prices (U.S. Dept. of Labor BLS, 1947-49=100).....	78.7	114.0	117.4	<b>118.1</b>
Retail sales (seasonally adjusted, in millions).....	\$8,541	\$15,871	\$16,783	<b>\$16,903</b>

\* Preliminary, week ended August 10, 1957.

† Revised.

†† Estimate.

\*\* Ten designated markets, middling ½ in.

‡ Data for 'Latest Week' on each series on request.

THE PICTURES—Grant Compton—78, 79, 80, 157 (bot.); I.N.P.—62, 101 (third lt., third rt., seventh rt., eighth rt., & bottom rt.), 105, 139 (top); Robert Isner—28; Ketchum, MacLeod & Grove, Inc.—83; Eli Lilly & Co.—25; Loew's Inc.—43; McGraw-Hill World News—68, 69, 71 (top lt. & bot. lt.); Robert Phillips—23, 24, 25, 100; Gene Pyle—cover, 156, 157 (top & cen.), 158, 159; Scripps—108; Joan Sydlow—54; Transoceanic Marine, Inc.—77; U.P.—31 (lt. & rt.), 71 (rt.), 101 (top lt., fifth lt., sixth lt., ninth lt., bottom lt., top rt. & fifth rt.), 143; W.W.—30, 31 (cen.), 101 (second lt., fourth lt., seventh lt., eighth lt., second rt., fourth rt., sixth rt., & ninth rt.), 139 (cen. & bot.).

## B.F. Goodrich report:



## Rubber calms the shudder that cracks metal

### *B. F. Goodrich improvements in rubber brought extra savings*

**Problem:** That white stuff is a chemical used in making asphalt. But the combination of it, plus hot water and scalding steam set metal tanks to vibrating, soon cracked the lead lining. Acid leaked out. Even with repairs every month, tanks weren't lasting more than two years.

**What was done:** B. F. Goodrich engineers suggested rubber lining the tank with "Acidseal MA". This soft rubber lining absorbs vibrations, won't crack. It stands corrosion, most acids and chemicals, resists abrasion better

than the hardest steel.

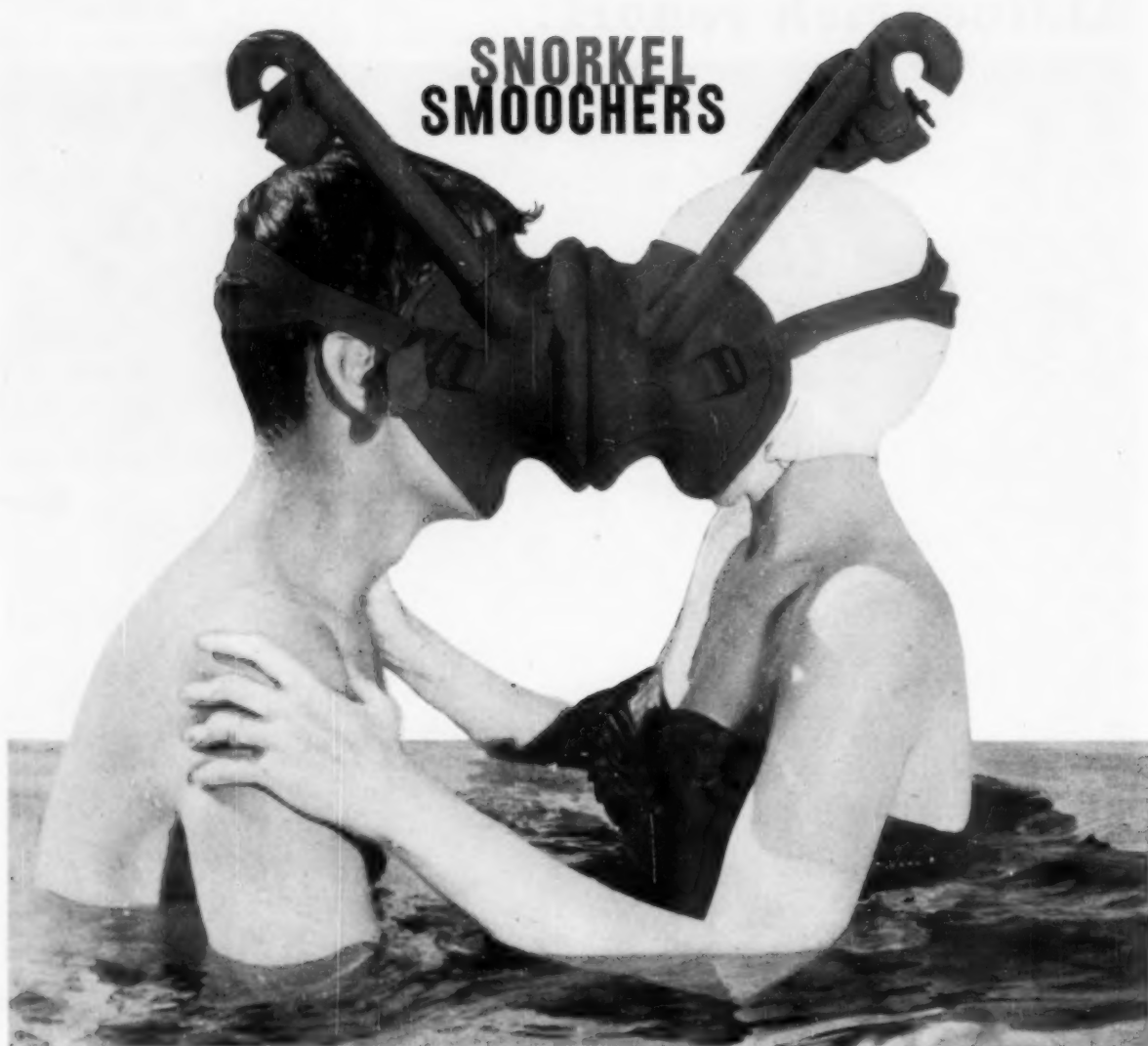
**Savings:** Installed four years ago, the B. F. Goodrich rubber-lined tank shown here still shows no sign of wear, has needed no repairs. Other B. F. Goodrich rubber-lined tanks in this plant have given seven years of troublefree service.

**Extra benefits:** This company, like other Southern companies, made an additional saving by having their tanks lined at the B. F. Goodrich plant at Tuscaloosa, Alabama. They saved on freight costs, got faster delivery.

**Why specify B. F. Goodrich:** When you buy B. F. Goodrich lining you buy years of engineering background with it—experience that makes sure your lining will be exactly fitted to meet all the special requirements of your work. B. F. Goodrich Industrial Products Co., Dept. M-149, Akron 18, Ohio.

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## READERS REPORT

### Stockholders' Day

Dear Sir:

I have read the article Giving Stockholders Their Day [BW—Jun.29'57,p176] and feel that a few points should be cleared up. First, no one "gives" shareholders their day. It is theirs by law, not by largesse. Secondly, odd as it may seem, the shareholders really do own the company. For confirmation of this, you might ask any of the scores of business managers and directors who have been removed in recent years by shareholders' votes. The New York Stock Exchange and some of its member firms have been advertising for years to the public to "own your share of American business." They did not put the word "owner" in quotation marks. . . .

As the meeting is intended to be a forum, I find it hard to realize that some shareholders object to questions asked of the management. Any employer is entitled to know what the employee is doing with his time on the job and to praise or reprimand as the occasion demands. . . .

W. J. BLUM

CLEVELAND, OHIO

### Only a Supplement

Dear Sir:

In your New Products Section [BW—Jul.20'57,p66] reference is made to the Barrett-Cravens Co. using solar batteries to guide remote control tow trucks.

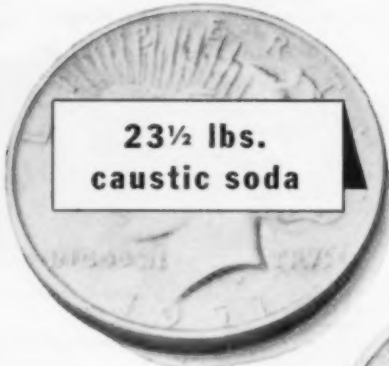
With all due respect to the Solar Division of Hoffman Electronics Corp. from whom we buy these cells, the information contained in the article is quite misleading as we consider the optical guidance type of system using the solar battery to be secondary completely to our normal method of following a wire buried in the floor. Moreover, since there is no connection between the wire and the truck in the wire type guidance system, there certainly could be no spark and would not at all prove dangerous around volatile fumes as intimated in the article.

Moreover the optical guidance system in no way replaces the wire system—it is simply a supplement to the line of Barrett-Cravens Guide-O-Matic equipment. . . .

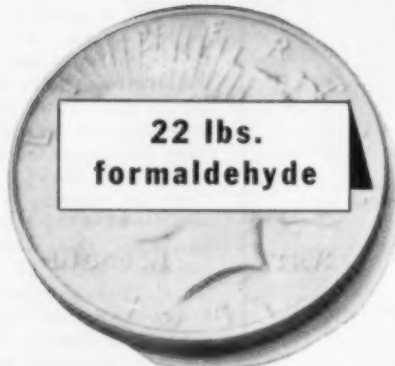
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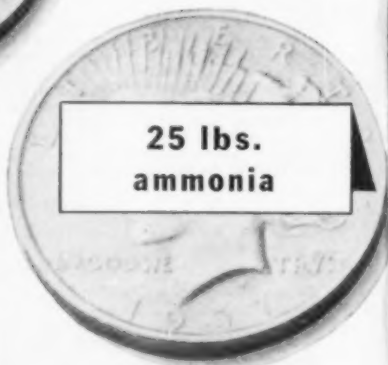
# **your chemical dollar buys\*...**




**23½ lbs.  
caustic soda**



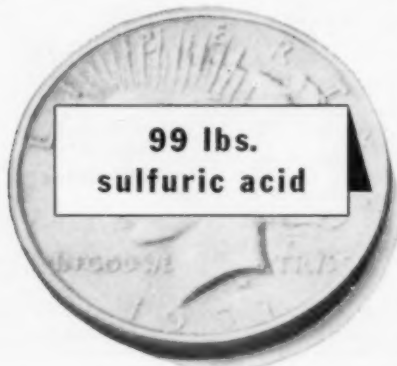
**22 lbs.  
formaldehyde**




**25 lbs.  
ammonia**




**65 lbs.  
soda ash**



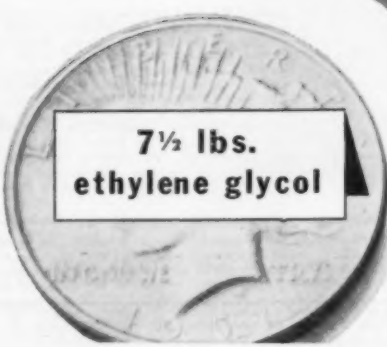
**99 lbs.  
sulfuric acid**



**3 gal.  
methanol**



**32 lbs.  
chlorine**



**7½ lbs.  
ethylene glycol**

\*quantities approximate, based on prices  
of July 15th for carload quantities





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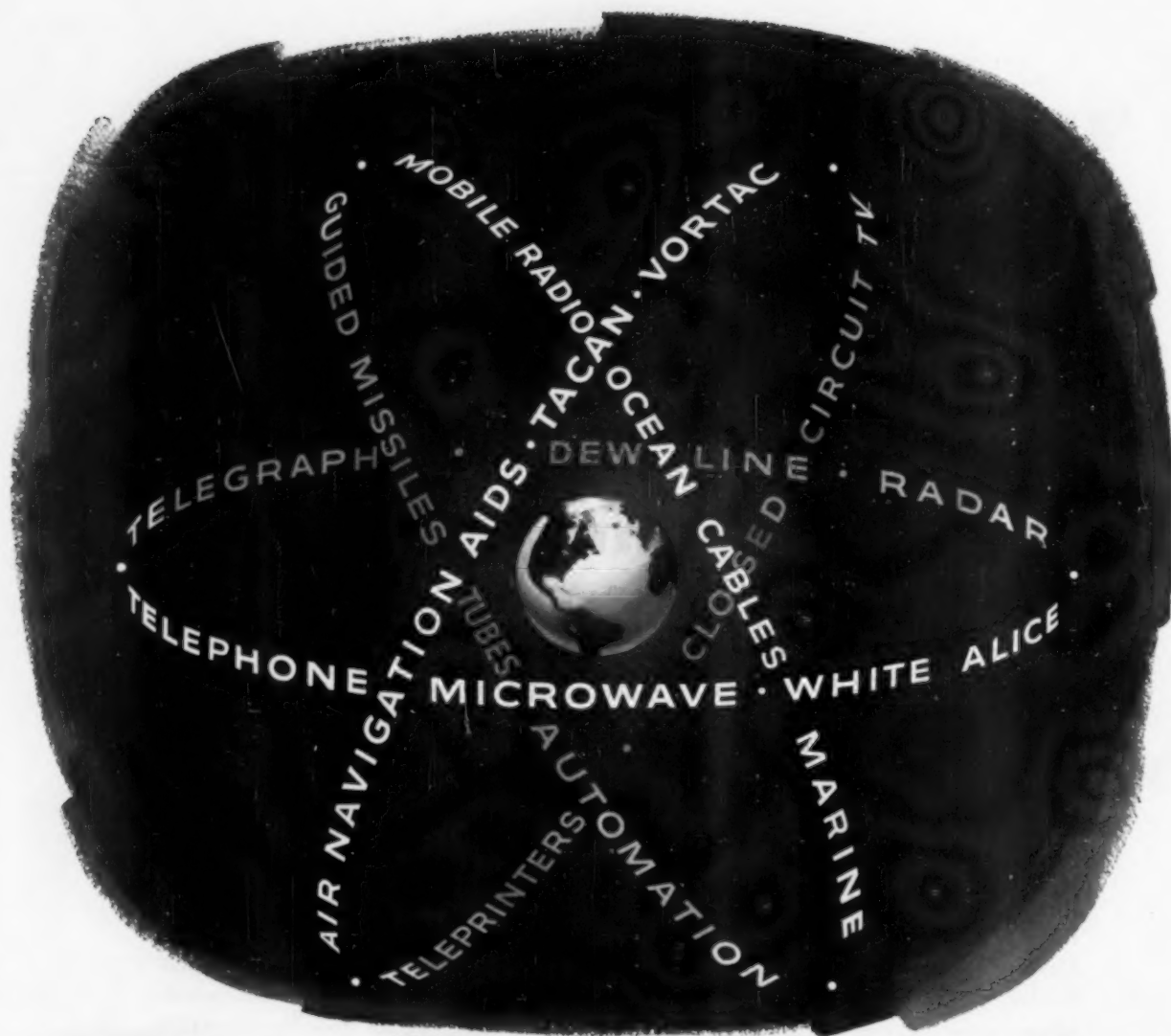
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DOW CORNING

## SILICONE NEWS

# Task Force: Silicones

- Help deliver the Hustler's punch
- Protect vital communications
- Keep the DEW line lighted

**DEPENDABLE ALLIES** in the constant battle to preserve peace are silicones—the same Dow Corning Silicones that help production men mop up trouble spots . . . that help designers engineer better consumer products. While the detailed story of how silicones aid our defense program is under security wraps, some information about the vital role silicones play in strengthening our defense arm can now be revealed.



**STRIKING STRENGTH** — The Convair B58 Hustler, spectacular new addition to our air arm, delivers an extremely accurate and lethal "punch". One of the reasons for its superior fire power efficiency is Silastic,\* the Dow Corning silicone rubber.

The B58's electronic fire control centers need protection against jolting and electrical leakage. Silastic provides for that need. Silastic cushions and insulates the fire control "brains" against the roughest flight, despite the sub-zero temperatures encountered aloft. Silastic also remains resilient when subjected — as often occurs in this equipment — to temperatures of 350F. Designed and produced for the Convair B58 by Emerson Electric Manufacturing, these electronic packages, cushioned in Silastic, assure the Hustler's ability to deliver.

On the civilian front, products rang-

ing from "fry pans" to electric motors — from portable TV's to automobile transmissions — have been improved with Silastic, the silicone rubber that retains superior electrical and physical properties from -130 to over 500 F.

**NEW SWITCH**—Communications are vital in military operation. Stromberg-Carlson solved a major problem of reliability in field-type telephone switches by adopting coil spacers and insulators of silicone resin-bonded

glass laminate. While the spacers and insulators formerly used would melt under unusual stress, the silicone-glass parts are unaffected even if trouble on the circuit should force temperatures to 680 F! Here again, as in hundreds of industrial and consumer products, Dow Corning Silicones have helped solve a major dependability problem.

**READY RADAR** — Strung above the Arctic Circle is a line of Distant Early Warning radar stations. In that remote, deep-freeze area, dependable and maintenance-free power is essential. That's why Western Electric Company, prime contractor for DEW Line installations, specified silicone insulated dry-type transformers to supply station power and lighting requirements.

When insulated with Dow Corning Silicones, dry-type transformers offer exceptionally light weight, maximum reliability, and are unaffected by arctic cold even when idle. In indus-



trial installations, this type of silicone insulated transformer offers exceptionally safe and reliable performance and permits location close to the load.

**FOR MORE INFORMATION** on any of these silicone products or applications, write Dept. 2220.

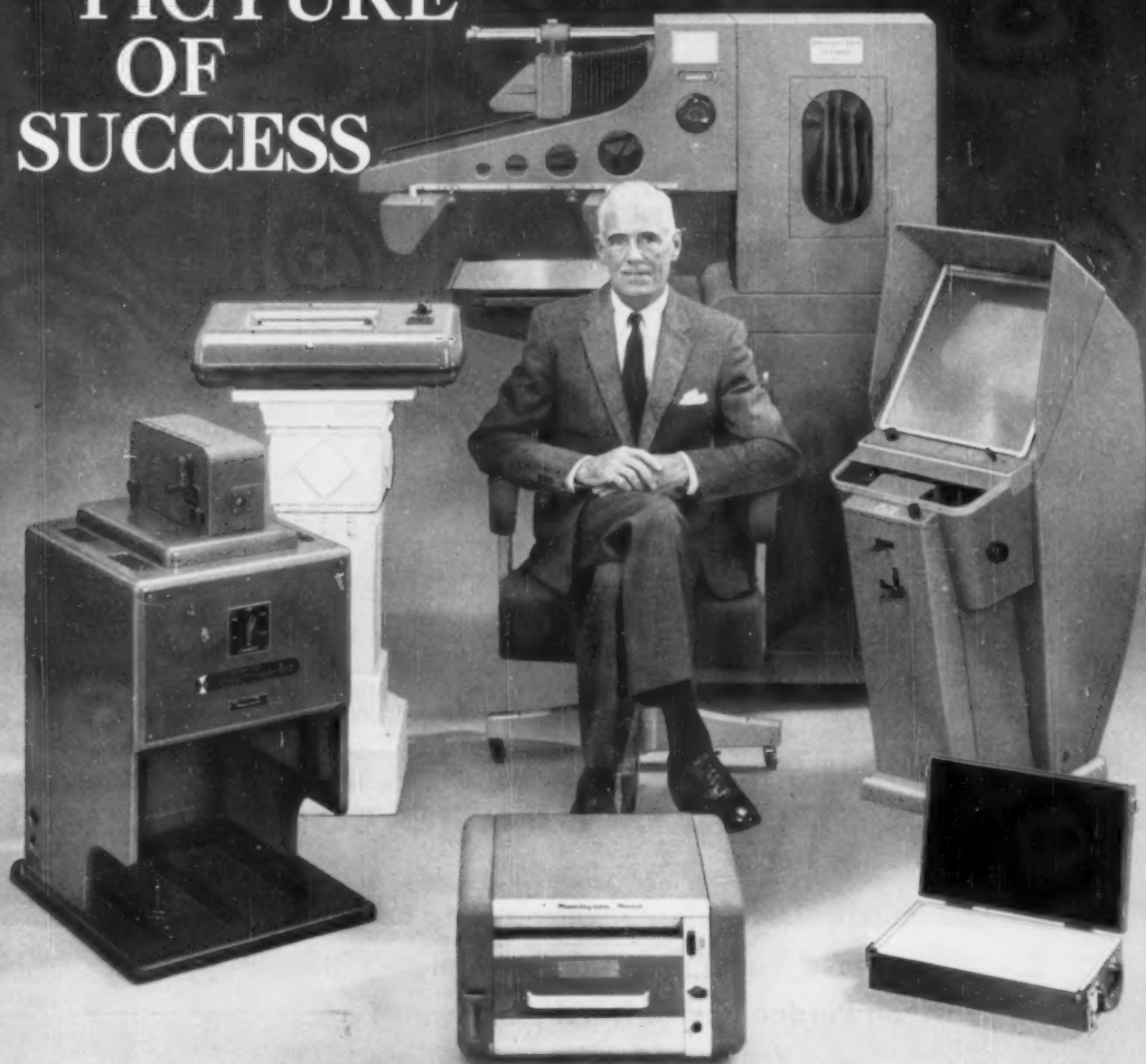
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pendable reinforcing form in any lengths needed regardless of variation in joist spacing. Steeltex is light, easy to handle.

# Steeltex speeds college construction

**Contractors tell of money-saving advantages gained from Pittsburgh Steel's floor lath on Purdue and University of Kentucky jobs**

The critical need for new school buildings to handle our expanding population is also acute on college campuses.

At Purdue University and University of Kentucky, where married veterans and their families are crowding housing facilities, big construction programs are underway. At both universities, Steeltex wire mesh reinforcing floor lath was specified by architects because it helps achieve the most value for each construction dollar.

Purdue is engaged in a \$9½ million project to house married students in a unique 58-building development located on a 30-acre site at the edge of the West Lafayette, Indiana, campus.

In Lexington the University of Kentucky is building the \$2 million

Shawneetown married students and faculty housing project on a 10-acre site adjacent to the campus to provide 186 apartments for married students and faculty members.

In Indiana, since economy of construction was an important factor to university authorities, Architect John R. Diehl of Fairless Hills, Pennsylvania, specified Pittsburgh Steel Products' Steeltex, the reinforcing that carries its waterproofed form right on its back.

The 370,000 square feet of Steeltex, used to cover joists on the first and second floors of the units, will return substantial savings in time and money while assuring durable concrete floors.

John W. Galbreath & Co., Columbus, Ohio, teamed with Turner Construction

Co. of New York City to form Galbreath-Turner, general contractors for the construction.

Earl Wooten, superintendent for Carl Vestal, Inc., Indianapolis, sub-contractor who installed the Steeltex, gave this estimate of the time saved by using Steeltex to cover 370,000 square feet of floors.

"If we had used another material, each of these 58 buildings would take six days and require 20 men's services. With Steeltex, however, we needed only one and one-half days and the services of five men for each building."

Similar commendation came from the Kentucky project where Ben Landin, general superintendent for the Hargett Construction Co., of Lexington, said:



"I like Steeltex because of the installation speed. If we had to use a reinforcing material that required wooden forms, it would call for a heavier slab—about four inches thick. But with Steeltex, we need only a 2¼-inch slab which gives us lighter-weight construction.

"Another advantage is that Steeltex provides lateral stability for the joists. A stronger structure is the result.

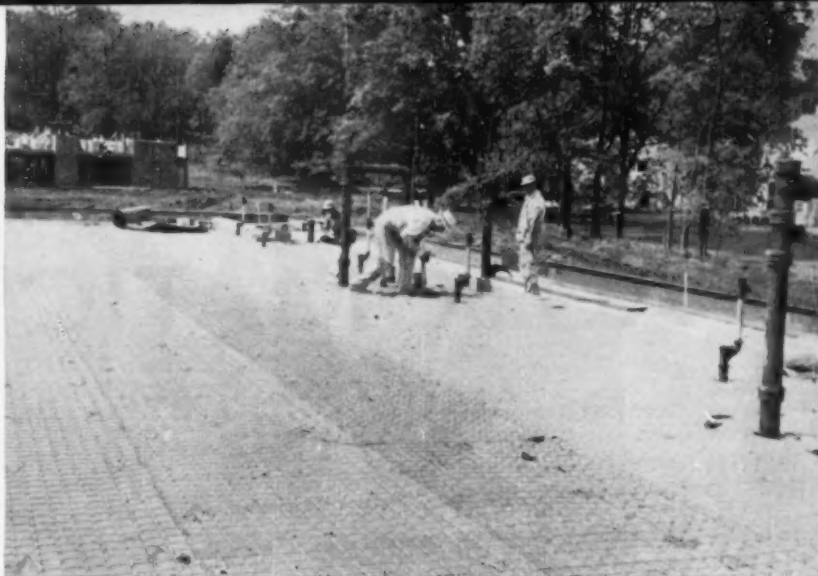
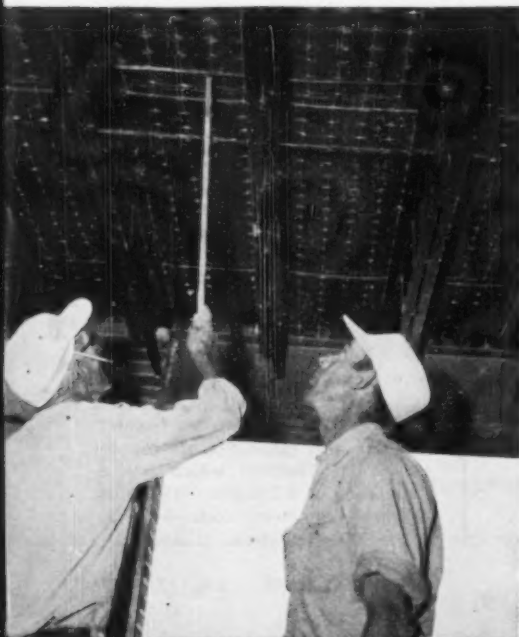
"I believe that Steeltex is far superior to any other type of material for fitting around irregular-shaped objects quickly and snugly. We don't waste as much concrete and we complete the job faster."

And Lewis H. Hargett, president of the contracting firm, cited these Steeltex advantages: "It's economical, it's convenient to install and the men on the job don't need any special training to install it."

He added, "In recent years, we've used several hundred thousand square feet of Steeltex and found it completely satisfactory. After checking the cost of Steeltex over other materials, we find there is a definite saving per square foot in using Steeltex."

These same advantages can work for you when you use Steeltex, sold by the Pittsburgh Steel Products Division of Pittsburgh Steel Co. Start pocketing these savings now. You can do that by picking up your telephone now and getting in touch with one of the trained engineers waiting to help you in each of the district offices listed below. Do it today.

**Superintendent Ben Landin** (left) of Hargett Construction Co. points to clean, neat appearance of Steeltex under concrete slab to Superintendent Jim League, Whalen Erecting Co. which installed Steeltex.



**Pittsburgh Steeltex** is installed faster than alternate materials. Here it's being installed at the University of Kentucky's housing project.



Steeltex fits around irregular piping, vents and projections. Easy to cut, it speeds construction and saves money.

# Steeltex®

## Pittsburgh Steel Products

a division of Pittsburgh Steel Company

Grant Building

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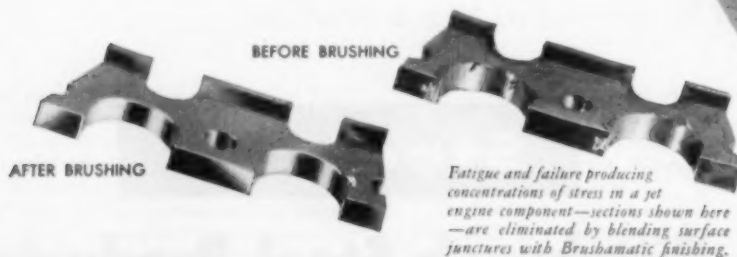
# AUTOMATIC

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## What's to Blame

Dear Sir:

With regard to the article *Can Detroit Build Without Speed?* [BW—Jul.20'57,p51], I should like to point out that regardless of Detroit's speed de-emphasis the automobile accident rate will remain tragically high for several reasons . . .

(1) Under the present licensing system in this country a chimpanzee may obtain an automobile operator's license. In those states which require tests all that is needed is the knowledge of a car's operation. . . . No investigation of what might be called the driver's "panic quotient," or what a driver will do in a given emergency, is made. Add this somewhat ludicrous state of affairs to the fact that several states require no driving test at all and the result may be seen in the newspapers any Monday morning.

(2) Detroit's persistent policy of neglecting safety for comfort and "styling." In order to present a low roof line, wheels and, of course, brake drums, have become smaller until many cars resemble pieces of furniture, with not much more braking power and far less comfort, which, one gathers, was the idea in the first place. . . .

H. D. RANZENHOFER

NEW YORK, N. Y.

## Which London?

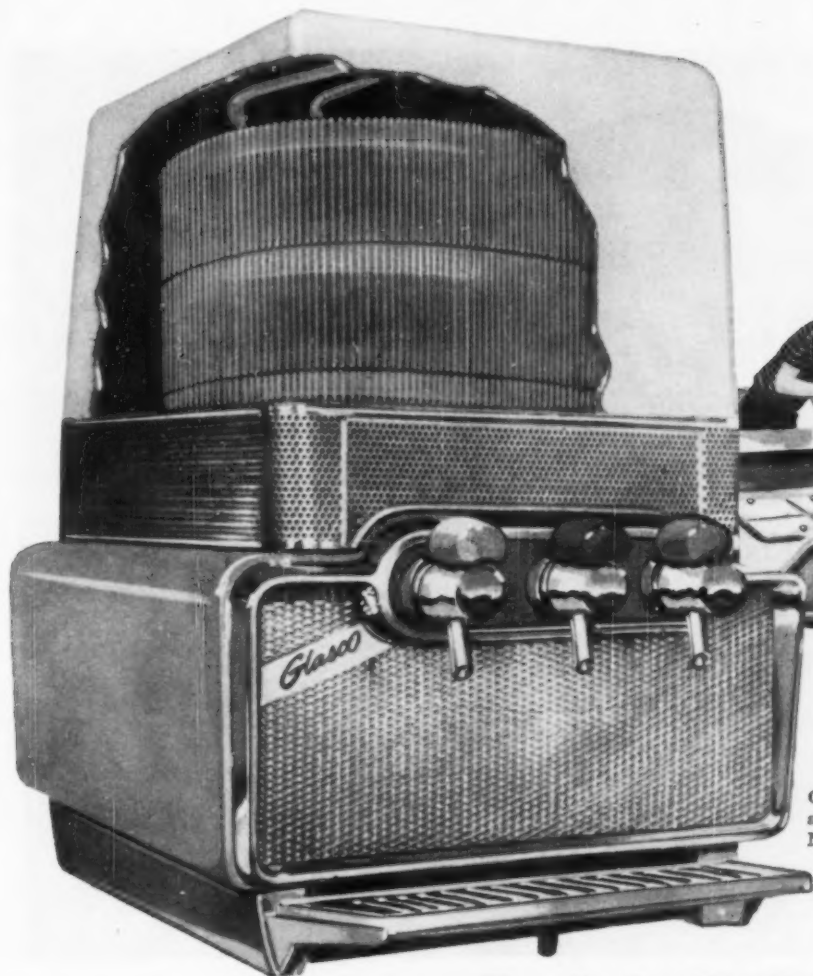
Dear Sir:

Referring to *Shrinking City* [BW—Jul.20'57,p27] putting New York in third place behind Tokyo and London, I suppose there is nothing a New Yorker can do about Tokyo. With respect to London, however, there is a hair or two to split. Just what London are we talking about? The County of London, or the much larger Metropolitan Police District or the even larger Metropolitan Water Board area? Not, surely the City of London, an almost entirely unpopulated (residentially speaking) business area? Let us please put this claim in its proper perspective.

JOHN E. ULLMAN

CONSULTING ENGINEER  
NEW YORK, N. Y.

• Our article referred to Greater London (also called the Metropolitan Police District) which has a population of 8,239,910. This puts it ahead of New York with its 7,771,509 population.



Glasco pre-mix dispensing machines are manufactured by Glascock Bros. Manufacturing Company, Muncie, Indiana.

## Add **COPPER** ...and it serves your drink cold!

Your soft drink from a dispensing machine is served *ice cold* because of Copper. For Copper is the *best* heat-transfer material commercially available. *Copper dissipates heat faster.* That's why the coolant-carrying tubes . . . and fins . . . inside the dispenser are Copper.

And that's why Copper is the metal preferred for air-conditioners to keep you cool at home or at work.

Even the big, new liquid-cooled generators are kept cool with Copper.

Copper has other invaluable properties, too. Because it is the best practical conductor of electricity,

wiring and motor-windings are made of Copper. Copper resists corrosion. (It simply won't rust!)

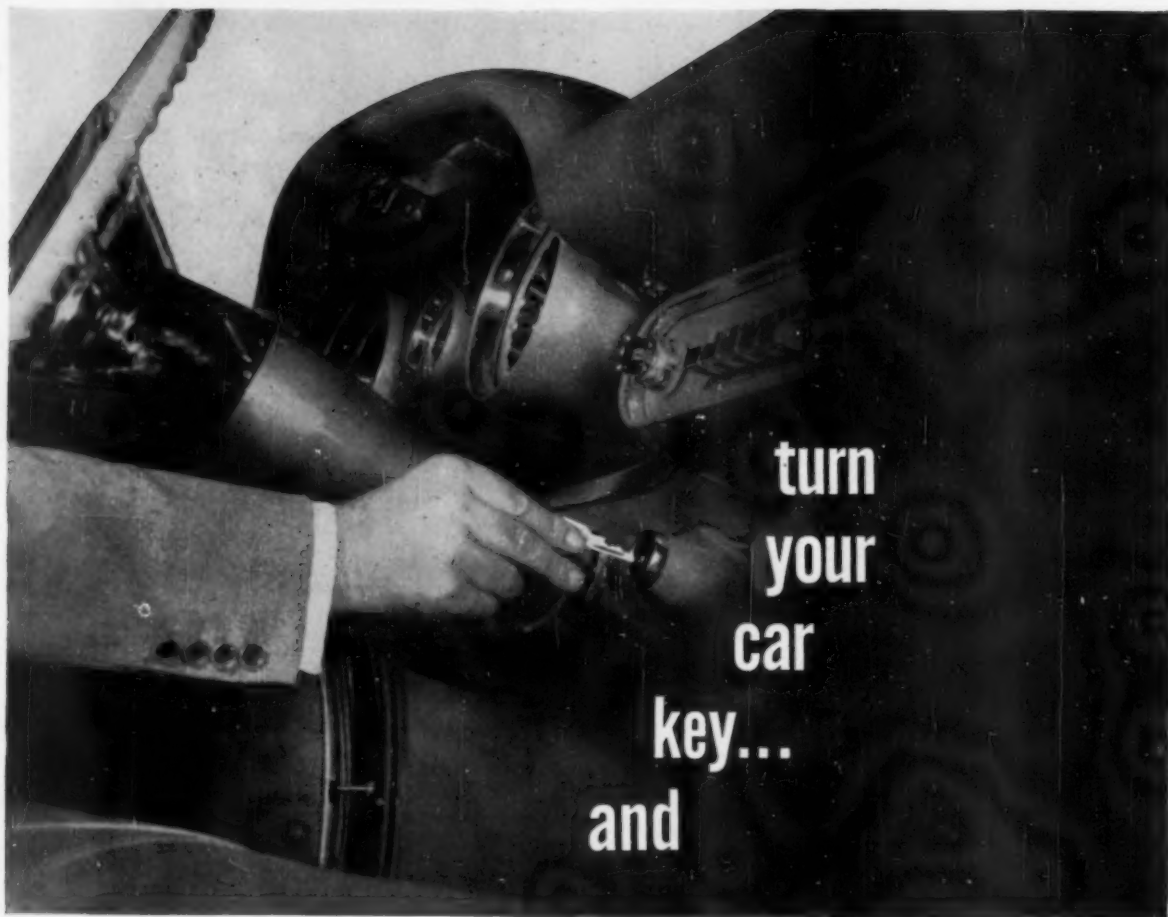
In manufacturing processes, Copper has always been a great metal to *work* with. It proves easy to machine, form, draw, stamp, polish, plate. It welds readily . . . is excellent for soldering and brazing. Besides, you recover a higher portion of your materials cost from the higher-cash-value of your manufacturing scrap!

And today, you can plan with Copper . . . confident that the Copper Industry will keep Copper in ample supply to meet your future needs.

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For information on cooling or any other application of Copper, write to the Copper & Brass Research Association, 420 Lexington Ave., New York 17, N. Y.



turn  
your  
car  
key...  
and

## Synthane laminated plastics report for work



Breaker Arms for tractors and outboard motors are cut from lengths of molded laminated. Breaker arm bushings and rubber angles are important ignition components.

A turn of the ignition key and the thousands of parts which make up your car go to work as a team. Under the dash or under the hood are dozens of parts made of Synthane laminated plastics. They may seem insignificant but they're as necessary as an owner's license.

Take away Synthane laminated plastics and you have a car that won't start, a generator that won't run, lights that won't light, or a silent radio or motionless fan—which may give you some idea of the importance of a product like Synthane in the automotive industry.

Synthane laminates are excellent electrical insulators—they resist moisture—smile at oil—are easy to machine and mechanically strong. Synthane laminated plastics are available in sheets, rods and tubes or as parts completely fabricated to your designs and specifications.

For more information about the many properties of Synthane laminated plastics and how you can benefit by using Synthane materials and fabricating services, write for our latest product catalog. Synthane Corporation, 1 River Road, Oaks, Pa.



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DIMENSIONAL STABILITY

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## How to be sure of swift shipping



Ed's heart was quite heavy 'cause shipping had slowed  
And his boss used to ride him and add to the load



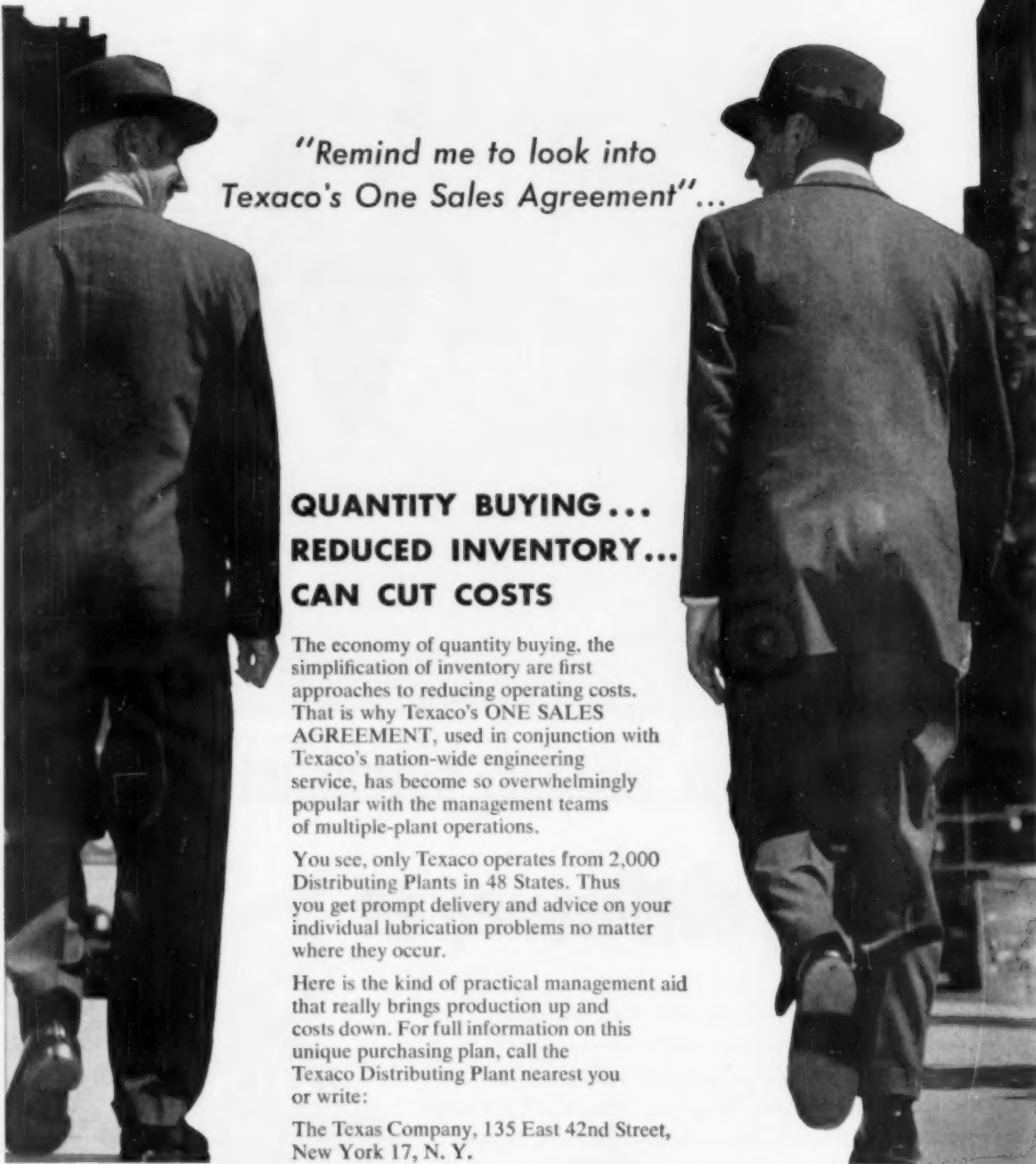
*Behini*

Eddie's walking on air now . . . no longer depressed  
His dependable shipping is **RAILWAY EXPRESSED!**

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No one can afford slow shipping! It costs too much money,  
wastes too much time, and loses too many customers!  
That's why shipment by Railway Express is such a good buy —  
you can always depend on speedy deliveries. And you get  
coverage no other company can match, for Railway Express  
reaches some 23,000 American communities. Now,  
with Railway Express' new *World Thruway Service*,  
you can speed shipments to and from almost anywhere  
in the world! So, whether you're sending or receiving,  
here or abroad . . . always call Railway Express, the  
complete rail-air-sea shipping service.





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REDUCED INVENTORY...  
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The economy of quantity buying, the simplification of inventory are first approaches to reducing operating costs. That is why Texaco's ONE SALES AGREEMENT, used in conjunction with Texaco's nation-wide engineering service, has become so overwhelmingly popular with the management teams of multiple-plant operations.

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Here is the kind of practical management aid that really brings production up and costs down. For full information on this unique purchasing plan, call the Texaco Distributing Plant nearest you or write:

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# BUSINESS OUTLOOK

BUSINESS WEEK

AUG. 17, 1957



Consumer spending will be the thing that determines how business fares in the late months of this year. And this proposition holds good no matter which side you take in the current argument over where the economy is headed.

If, like some economists, you are worried about flagging demand and involuntary accumulation of inventories (page 27), then you have to hope for a rise in consumption to take up the slack.

If you agree with Chmn. Martin of the Federal Reserve, who blames an inadequate rate of saving for recent price rises (page 28), then lower spending is the way to avoid inflation.

Consumer spending, in fact, has been very steady this year.

In July, retail sales showed a 1% gain over June. And for the year to date, retailers have maintained about a 5% margin over last year.

These figures don't fully reflect a lot of spending for services, the fastest growing sector in both consumer purchases and employment.

Yet, there are analysts who insist that even these gains merely keep consumer buying even with or slightly behind population growth and price increases. So the rate of consumer outlays, they say, is not really increasing at all.

Here's the rub: July's advance report on retail sales shows that over-all sales rose only because softgoods more than made up a slight decline in sales of durables.

Though purchases of softgoods and services are rising, the big consumer items show little if any gain. And it's hard to keep the economy humming for long when the makers of the big stuff are in trouble.

Therefore, the bearish economists smell trouble ahead unless autos, housing, and appliances show a pickup in the coming months.

—•—

Homebuilding seems to have stayed on a plateau this summer.

Housing starts in July were at an annual rate of 980,000. This was slightly more than in June, but the same as in May.

But private starts were somewhat below the three preceding months. July's total of 90,200 private starts was almost 6,000 below this year's peak reached in May. This was offset by a rise to 5,800 starts in public housing.

We won't see any effects of last week's easing of FHA mortgage terms until late fall at the earliest. It will take that long to get mortgages processed. By then, of course, the height of the building season will have passed. So the real impact won't be felt until 1958. The question then will be: How much money will the demand from other sources leave for housing?

—•—

Employment last month set a new all-time record.

The regular influx of students and other seasonal workers boosted the working force to 67.2-million, some 700,000 more than in June. The total was also about a half-million more than in July, last year.

# BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

AUG. 17, 1957

Here again, the total figures hide some weak spots. Factory employment was down by 180,000 to 16.7-million.

Some reduction is normal for July, but the Labor Dept. believes the fall-off was more than seasonal. Trimming of auto plant payrolls plus summer shutdowns in the machinery, textile, and apparel industries account for much of the drop.

Average weekly pay of factory workers, however, showed a 19¢ gain to \$82.99 for the month. Workers averaged 39.9 hours per week, but cost-of-living wage increases plus other boosts helped to keep average earnings up.

—●—

Oilmen hope July's upsurge in gasoline demand will continue through the coming months. Any rise in crude demand will hinge upon more use of gasoline.

Gasoline use dipped below last year's rate in June at the end of a sluggish spring. This, plus high refinery runs, caused gasoline stocks to build up to record levels.

But with a 6.7% gain in demand over a year ago in July—following reductions in refinery runs—gasoline stocks dropped below last year for the first time.

There's a sour note here, too. The Bureau of Mines had forecast a 5.1% increase in demand, but, so far, gasoline use has shown little more than half the expected gain.

With the new oil import plan, domestic producers hope that the rise in crude oil and refined product stocks will also be checked. Bigger stocks this summer have meant price weakness for most refined products.

Both oilmen and steelmakers are a bit surprised over how suddenly a previously tight market for oil country steel products has slackened off.

Many of the bigger oil outfits, of course, had good stocks of pipe and other tubular products all along. As supply has increased and demand abated a little, there's no real need to carry much inventory any more.

So, some orders have been canceled for this quarter, according to Iron Age, and most steel users in the oil country are content to let steel makers carry their inventories for them.

—●—

Upward shifts in the pattern of money rates continued this week.

Last week's ½% boost in the prime rate on bank loans plus the discount rate hikes at some Federal Reserve Banks caused long-term government security prices to fall. And other rates have been nudged upward step by step this week to meet loan demands.

Three separate increases totaling ¾% were needed for banker's acceptances mainly because of a large volume of bills needed to cover the old cotton crop.

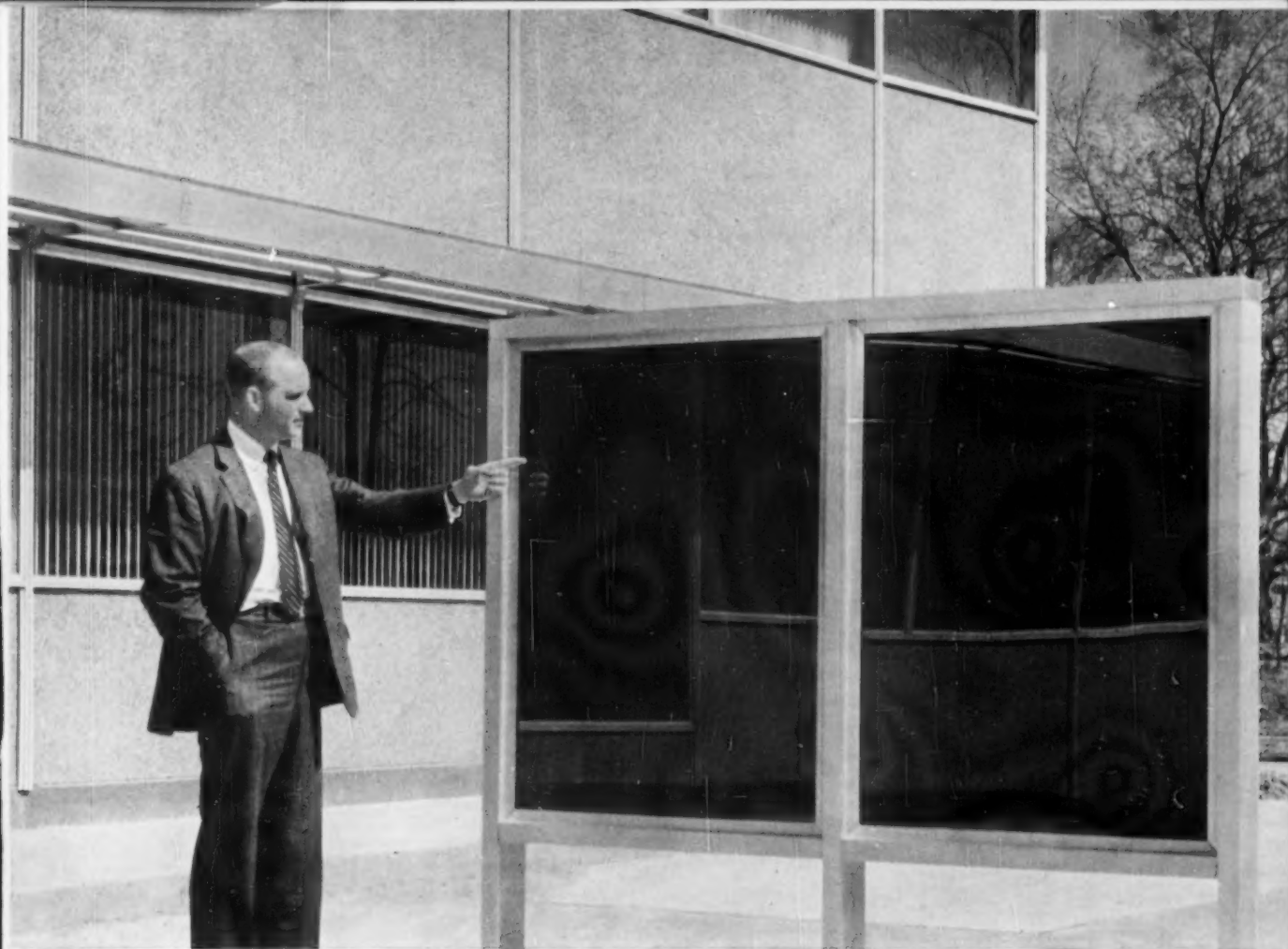
—●—

Supply and demand difficulties have really hit makers of flat glass.

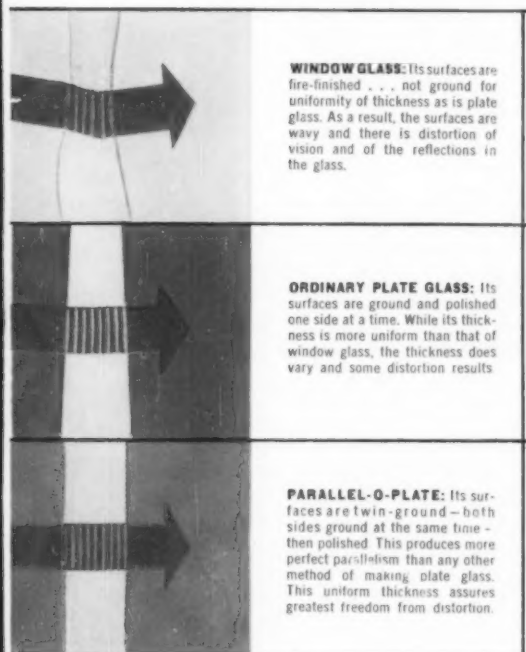
Decline in homebuilding hurt certain types of window glass. So payrolls were slashed and production curtailed last winter.

Now, three of the leading glassmakers have cut prices by 5% to 16% on thin glass and heavy sheet glass—used in large windows for buildings and homes—in an attempt to ward off import competition.





The modern building shown reflected in the glass is a beautiful combination of plate glass and precast concrete panels.



## Will the walls of your new building wiggle?

A wall full of windows with the windows full of wiggles can make a building look as bad as an old wrinkled suit.

You can see what we mean above. The glass in these two demonstration windows is backed with black composition board to simulate the mirror effect of windows in a building. In the window at the left, glazed with *Parallel-O-Plate®*, the reflections are mirror-perfect. In the other, glazed with sheet (or window) glass, note the distorted reflection.



*Parallel-O-Plate* is the most distortion-free glass made in America, because it is *twin-ground*. True, it costs more than ordinary sheet (or heavy window) glass, but it makes a very big difference in the appearance of your building — and your pride in it.

It makes good business sense to agree with your architect when he recommends Libbey•Owens•Ford *Parallel-O-Plate* Glass.

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The experience gained from pioneering and building automatic process machines for over a quarter century (one every 12½ days during the last three years) makes it possible for us to build heavy, rugged equipment which will stand the abuse of continuous operation with a minimum of down time.

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MILLING MACHINE COMPANY      ROCKFORD, ILLINOIS

**Full responsibility, for designing equipment to machine all flat surfaces and bores of a new V-8 engine block, was given Ingersoll by American Motors at their Kenosha, Wisconsin, plant**

*The engine castings, as received from the foundry, progress automatically through the 36 stations of this heavy Ingersoll process machine.*

## A Week of Questions

This has been a week of doubt, of question-asking, about the business situation.

**Basic Question:** Are we on the verge of a fresh shot of inflation, or is the economy going to turn even softer now?

So this week you find:

**Page 27:** Defense cuts and involuntary inventory buildups throw real doubt on the hoped-for yearend upturn.

**Page 28:** Inside the Federal Reserve, there's sharp debate over next moves. Chmn. Martin defends the decision to keep fighting an inflation danger.

**Below:** Congress looks at rising steel prices and wages, at falling demand, and talks darkly of industrial concentration and administered prices. So the bitterest questions come when . . .



## Steelmen Face Their Critics

**E**XECUTIVES of the world's biggest steel company are engaged in what may be an impossible task: justifying to everyone's satisfaction the recent \$6 a ton increase in the price of steel in the political atmosphere of a Senate hearing room.

For a week now, Roger Blough, chairman of the board of U.S. Steel Corp., and other top U.S. Steel executives have been sparring with Sen. Estes Kefauver and the staff of the Senate Antitrust & Monopoly Subcommittee.

But as the hearings move into his second week on the stand, Blough is still sorrowfully complaining about his inability to "communicate" with the investigators.

• **Conclusions**—The subject generally is

the steel price increase, but the inquiry has ranged freely. The subject of U.S. Steel's price leadership in the industry has come up. So has identical bidding by big companies on government contracts.

A couple of things are clear:

• Kefauver and his staff believe that the price increase announced by U.S. Steel is bigger than needed to cover higher costs and will lead to higher profits, even though the industry is operating at much less than full capacity.

• Since U.S. Steel has tried to justify the price increase largely on the basis of rising employment costs—particularly those under its contract with the AFL-CIO United Steelworkers

union—there are signs that the hearing will shortly become a forum for a bitter fight between the industry and the union.

### I. Only the Beginning

The ordeal that Blough and his fellow officers are experiencing is only the beginning of what Kefauver promises. The steel industry—beginning with U.S. Steel—is just the first witness in what Kefauver plans to be an industry-by-industry inquiry into so-called "administered prices" and the role they are playing in inflation.

Before he finishes with steel, Kefauver will call a few more steel companies, to question them particularly on





**ASKING:** Staff economist John Blair, Chmn. Kefauver, Sen. Everett Dirksen.

**(Story starts on page 23)**

why they all followed U.S. Steel's price increases with almost identical rises in price. He will also hear from some steel-consuming industries, to get their story of how much the steel price boost raises their costs and the prices of their products. Finally, representatives of the United Steelworkers union will appear to give their side of the wage-price inflation argument.

• **Administered Prices**—Sen. Kefauver opened the administered-price hearings last month, with testimony from a group of economists (BW-Jul.20'57, p33). All but one of the five economists who testified agreed that administered-price industries are largely responsible for the current inflationary spiral.

The theory of administered prices implies that there is an "area of discretion" where a business can decide what its price will be, irrespective of market forces. The alleged inflexibility of administered prices, and their identification with highly concentrated industries, suits Kefauver's purpose well: to see if such industries are raising prices unnecessarily and, if so, to attack administered pricing as a business practice that's detrimental to competition.

• **May Need a Law**—Kefauver has hinted that existing antitrust laws may not be broad enough to deal with any possible harmful effects of administered prices in concentrated industries.

So far, the only suggestion for a law

that has been made at the hearings came from Harvard economist John Galbraith. He recommended legislation to require a public hearing before any wage or price increase could be put into effect in big industries. This is an old pet theory of Sen. Joseph C. O'Mahoney (D-Wyo.), a member of the Antitrust subcommittee.

## II. Blough on Stand

Blough stepped into this vague but dangerous area swinging both left and right. He called the so-called high price of steel "a myth," born of a desire to find a "convenient scapegoat" on which to blame inflation. He declared it was his intention to see that U.S. Steel "does not become that scapegoat."

The hearing, he charged, seems aimed at the "warmed-over" theory that administered prices in the so-called concentrated industries are responsible for inflation. Both terms—administered prices and concentrated industries—ought to be dropped to avoid confusion, Blough suggested.

• **Not New, Not Bad**—An "administered price," Blough said, is apparently "merely the opposite of a haphazard price." He used the economists' own testimony to show that administered prices are general throughout business and are neither new nor bad.

As for "concentrated industries," Blough asked how concentrated they

must be to qualify as "potential villains." Blough said he was puzzled by the universal presumption that steel is a classic example of a highly concentrated industry. He pointed out that the subcommittee's own recent report on concentration—prepared on Census Bureau figures—shows that 112 industries are more concentrated than steel (BW-Jun.29'57, p43).

• **Inflation Role**—So, Blough reasons, the question really should be: "Are industrial prices responsible for inflation?"

And the answer he gave Kefauver is that rising prices do not cause inflation—they are the result of inflation. He put it like this: "Price increases cause inflation the way wet streets cause rain."

Blough also challenged the implication by Kefauver that rise in the price of steel can somehow touch off a new round of inflation that quickly affects the pocketbook of everyone.

"That is sheer economic superstition," Blough said.

• **Profitability**—Blough also called "mythical" the assumption that big companies have the power to reap fabulous profits. He pointed out that while U.S. Steel ranks fourth among the 500 largest companies in dollar sales, it ranks 123rd on the basis of profits as a percent of sales and 243rd on the basis of profits as a return on invested capital.

• **Labor Costs**—Compensation of em-





**ANSWERING: U. S. Steel Exec. V-P. Richard Sentner, Pres. Hood, Chmn. Blough, Tyson.**

ployees has risen by \$87-billion since 1950, Blough said. As a share of total national income, this is a rise from 64% to 70%. "If it is the belief of this committee that 'concentration of power' may have something to do with rising prices," he went on, "I would merely suggest that perhaps you gentlemen are looking on the wrong side of the bargaining tables."

Blough explained that the three-year contract negotiated last year with the United Steelworkers was an effort to narrow the inflationary gap between rapidly mounting wage costs and slowly rising output per man-hour. This labor agreement "foreordained our recent price increase," he said.

• **The Price Boost**—Blough then explained the price rise in these terms: "On July 1 of this year, we faced what our recent total wage-cost history demonstrates was about a 6½% increase in our total costs per man-hour. To cover these costs in part, we raised our steel prices by an average of 4%—or \$6 a ton."

This action, he noted, brought down charges of "irresponsibility" on U. S. Steel. He reminded the committee of the Corporation's responsibility to its stockholders—more than half of whom have incomes less than the average wage paid to the men in its mills. He asked whether it is responsibility to subtract from stockholders' income in order to add to the incomes of workers and to meet other costs. In short, he said,

"Should we rob Peter to pay David?"

• **Arguments**—Kefauver and his staff have not accepted much of the statement submitted by Blough. Kefauver immediately challenged Blough on the impact of the steel price increase. And the expensively documented story of U. S. Steel that Blough wanted other corporation officials to present has gone begging while Kefauver kept hammering at Blough.

The two men—both graduates of the

Yale Law School—refer to themselves jokingly as "a simple iron puddler" (Blough) and as "a simple coal miner" (Kefauver). But the good humor wears thin occasionally as Kefauver presses to gain a point.

• **Repartee**—Under relentless questioning early in the hearing as to whether U. S. Steel could have raised the price of steel by \$8 or \$10 a ton, Blough wearily commented: "Our success in communicating with lawmakers has been almost



**BLOUGH:** "It's conceivable that all industry is wrong and you three gentlemen are correct, but I don't accept that."



**PARTING SHOT:** "If you care to find the truth, and not look for preconceived answers, we'll be glad to keep on trying."

zero. We had hoped to come down here and tell you the whole story of U.S. Steel—but I do not think we're going to be able to do it, the way things are going."

Kefauver shot back that "if you have the idea you are going to present only what you want to, you're mistaken."

Blough finally answered that it was his "best judgment" that the \$6 a ton increase was all that the price could properly be raised on July 1.

• **Cost Figures**—The committee got around to hearing Robert C. Tyson, U.S. Steel finance committee chairman, on the third day. Tyson presented the cost facts of the company. He said the Corporation's biggest cost is employment—amounting in 1956 to 39.7% of U.S. Steel sales.

Tyson also testified that for each \$1 increase in employment costs, total costs increase more than \$2. Said Tyson: "Economic arithmetic tells us that the new cost-push inflation can never be terminated until inflation in the biggest and most basic cost—employment cost—is terminated."

U.S. Steel costs per employment hour in 1956 were 284% greater than in 1940, Tyson said, but BLS statistics show that prices of finished steel mill products were only 138% higher. The difference has been "absorbed" by U.S. Steel, he said.

• **Chart in Dispute**—Kefauver's staff challenged Tyson's position that price increases have not been sufficient to widen the profit margin. John Blair, Kefauver's staff economist, presented an elaborate chart to back up his contention that the industry's 1956 price increase of \$8.50 a ton was "significantly greater" than any increase in costs.

Blair showed the relationship between the rate of industry operating capacity and the rate of return on investment to stockholders, from 1921 to the first half of 1957. According to Blair, the normal pattern over the years was this: The higher the rate of operating capacity, the higher was the rate of return.

In the first six months of 1957, Blair said, this pattern was broken. The industry's operating rate fell, but its rate of profit increased. Rate of return was 16.4%—highest in history—while the industry was running at 91% of capacity, a rate that has been bettered in five recent years. The greater profit rate can be explained, Blair argues, only by a 1956 price boost that was greatly in excess of increased costs.

### III. What Is Competition?

Tyson summed up U.S. Steel's reaction in one sentence: "I cannot accept this chart." He argued that Blair's chart exaggerates profitability because it is based on stockholders' investment

made with dollars of high purchasing power, while price increases have reduced the purchasing power of current dollars of profit.

Kefauver pressed Blough hard on the subjects of pricing policy and competition in the steel industry. He repeatedly asked why most other steel producers followed U.S. Steel's price hike with almost identical price boosts. Blough said the other producers would have to answer that, but one factor may be that labor costs are pretty much the same throughout the industry.

• **Shades of Competition**—Blough argued that a price that matches a competitor's price is a competitive price. Merely by reading a competitor's published price list and figuring in freight rates, Blough said steel companies can match prices.

"The idea," he said, "that one price has to be lower than another to have competition is not a practical way of running any kind of long-range manufacturing operation."

"That," observed Kefauver, "is a new definition of competition. If everybody follows the same price, the customer pays the same price if there are 10 steel companies or only one."

Blough looked up at Kefauver and said: "I don't think you understand competition in the steel industry. You understand the words, but not the concept."

• **Out of Step?**—Blough observed that probably 90% of all goods sold in the country are sold under what Kefauver calls "administered prices." He stated bluntly: "If the attack on administered prices is an attack on the American industrial system, so be it. The United States is the greatest industrial complex in the world and produces more goods than any other system in the world. If 90% of the products are sold under administered prices, I do not see how the system can be so wrong."

• **More to Come**—As the hearings continue, another clash is certain. Kefauver has requested Blough to submit detailed unit costs of U.S. Steel for the manufacture of a ton of steel. Kefauver insists this kind of cost-of-production information is necessary to compare costs of the various steel companies. Blough has taken the position that some of this information is confidential and cannot be made public.

The hearings were interrupted this week to permit Blough and his team to attend a regular executive and financial meeting in New York. But Blough faces still more questioning. In fact, Kefauver submitted a poser for Blough to think over in the meantime: If it takes Inland Steel only 12 or 13 hours to make a ton of steel and U.S. Steel requires 17 or 19, why isn't it good public policy to give the public the benefit of Inland's lower costs?

# Two New

AS THE END of summer approaches, much of the business community is beginning to lose confidence in a powerful fourth-quarter upsurge after months of moderate decline from the end-of-1956 peak. And anxiety is spreading that, if the fourth-quarter does not bring more than the usual seasonal lift, it will usher in a new year of continuing decline.

Within the past week, two new factors have emerged to darken the business outlook:

• The sharp cutbacks in defense spending ordered by retiring Defense Secy. Charles E. Wilson and supported by his successor, Neil H. McElroy (BW—Aug. 10'57, p. 28).

• The recent switch from inventory reduction to unintentional inventory building—which may drag out the period during which excess inventories will continue to restrain production.

These two new factors add their weight to an economy that's already laboring under other pressures, including tight money, the appearance of excess capacity in many industries, a lack of zip in consumer buying, especially for durable goods and housing, and a worsened outlook for U.S. exports, resulting from a shrinkage in foreign holdings of gold and dollars.

## I. Defense Spending

When the economy was rising strongly, defense spending cuts of the size presently planned might have had only minor and temporary effects on general business. But the present cuts will hit an economy that is already struggling. Total industrial production, seasonally adjusted, has slipped 3% since December, 1956, and durable goods production has dropped 4%. Thus, the odds aren't good that expanding industrial sectors can quickly make up for the new pressure of defense cuts.

• **Worse Than It Looks**—Although the reduction in defense expenditures from last year's \$38.4-billion total to Wilson's new \$38-billion ceiling figure looks relatively small, the pressures of the year-to-year cut will be greatly intensified by the swing in the direction of defense spending on a quarterly basis.

In the last quarter of fiscal 1957 (April-June, just past), the Defense Dept. was spending at an annual rate of \$41-billion—mainly because of an unexpected speedup in delivery of long-lead-time items, such as B-52 bombers.

Now, in the first quarter of fiscal 1958 (July-September), Pentagon budgeters figure that defense spending is running at an annual rate of about

# Blows to Business Hopes

● Sharp cutbacks in defense spending won't deliver their sharpest impact until late fall or winter. The cut in spending rate is even deeper than it looks.

● With inventory unexpectedly building up again as sales lag, production may have to be restrained longer than anyone had predicted.

● Consequently, some economists conclude, the present danger of deflation is greater than that of inflation.

● A revival of consumer spending is the one bright hope for a business spurt in the next six months.

\$42-billion. The Defense Dept. still hasn't been able to check the uptrend in outlays. That takes time.

Here's what happens. The Pentagon intends to cut forces by 300,000 men in the current fiscal year. For several months, this may actually increase personnel outlays—separation pay and other demobilization costs may initially outrun the savings from manpower reductions.

Likewise, big cuts in new procurement orders may not, for months, make up for the rise in payments for accelerated deliveries of goods ordered long ago.

• **Delayed Impact**—As a result of such factors, some Budget Bureau statisticians don't expect to see much of a slowdown in defense spending for nearly six months. But the Pentagon budgeters hope it comes sooner.

This week, the Defense Dept. revealed the latest measures for forcing the spending rate down quickly:

• **Air Force contractors**, except those on ballistic missile projects, were ordered to reduce payroll costs 5% by November.

• **Progress payments** on defense contracts were cut 5%. In the past the services paid 75% of total costs including overhead (or 90% of direct labor and material costs excluding overhead, for companies preferring this formula) on account, before delivery of weapons and equipment. From here on out, the progress payments will be 70% of total costs, or 85% of direct labor and material costs.

According to the Defense Dept. planners, military spending will be forced down to the \$38-billion annual rate in the October-December quarter of this year. Since defense spending is currently running at about a \$42-billion rate, this will mean a net drop of \$4-billion.

But that won't be the end of the impact—not if the Pentagon is to achieve its target of \$38-billion for the whole year. To average that figure, defense spending will have to make up for its overspill in the current quarter. So Defense experts figure that, in the January-March quarter of 1958 (usually the slowest for defense spending), outlays will drop to an annual rate of \$34-billion—or \$8-billion below the present peak rate.

In the April-June, 1958, quarter (usually the biggest for defense spending), Defense planners expect outlays to level off at the \$38-billion rate.

• **Time of Stress**—The planned pattern of defense spending would thus put maximum strain on the economy from next October through next March.

Of course, the Defense Dept. may find it impossible to hit any such timing schedule. It may actually wind up fiscal 1958 well above its self-imposed \$38-billion ceiling. Certainly, it has more than enough in carry-over funds—unspent previous appropriations—to go well above \$38-billion. Yet Washington insiders say that Pentagon policymakers mean business as never before, and cutbacks are being enforced ruthlessly.

• **Item By Item**—Just how cuts will be distributed across the Defense Dept.'s shopping list is not entirely clear at this time.

Aircraft expenditures will probably drop \$1-billion or \$1.5-billion below the original \$6.7-billion figure. But spending on missiles is still ticketed for a boost to \$2-billion from last year's \$1.5-billion.

Pentagon budgeters expect personnel outlays to drop by about \$200-million; operations and maintenance, by about \$500-million (including almost \$170-million for oil products); public works, by about \$200-million. Reserve activi-

ties—originally ticketed for \$1.2-billion—will be trimmed considerably.

Procurement and production outlays for vehicles, ammunition, and electronic and other equipment will be cut below original fiscal 1958 budget plans.

If present plans hold, it's clear that many American companies are going to feel the pain of the new Defense Dept. budgetary discipline.

The second new factor that worries business is the prolonged inventory adjustment.

In the first quarter of this year, total inventories were being cut back at an annual rate of \$800-million, and business inventories (excluding the farm sector) at a \$300-million rate. Since total inventories in the fourth-quarter of 1956 had been rising at an annual rate of \$5.1-billion, the \$800-million reduction meant a net reversal of \$5.9-billion.

## II. Inventory Trend

This change in inventory level has an impact, of course, on gross national product. If business is living off the shelf, and is slowing production in order to deplete inventories, the economy's total output is that much lower.

• **Relapse**—The first-quarter inventory shrinkage was widely regarded by economists as a healthy adjustment—a development that would set the economy up for a strong fourth-quarter upsurge, as inventory building started again.

But, surprisingly, in the year's second quarter, inventories started to accumulate again. Total inventories rose at an annual rate of \$1.5-billion, and business inventories at a rate of \$2-billion.

Many economists have treated this unexpected resumption of inventory-building—in a period when industrial production was declining—as evidence of coming trouble. The inventory rise was involuntary, they argue; business was trying to cut back but couldn't, because sales were off still more. And if excess inventories hang around longer than expected, prospects for a strong fourth-quarter recovery in production will be seriously dampened.

Under these circumstances, the fact that gross national product continued to rise in the second quarter—to an all-time peak of \$433.5-billion—was not taken as cheerful news. As the First National City Bank observed in its August letter, "Economic expansion based almost entirely on inventory accumulation and increased government spending is suspect."

This trend is not likely to persist for long, nor—added the inflation-sensitive



First National City economists—"should it be encouraged to do so."

The First National City's editorial sorrow about the recent expansion, and its caveat against efforts to stimulate a quick recovery, focuses attention on a critical question: Are the delayed inventory adjustment and the cuts in defense spending actually desirable as checks to fast inflation?

Federal Reserve and Treasury officials, as well as many conservative economists, think they are. On the other hand, some economists feel that the new pressures are likely to push the economy decisively toward deflation and recession. This is the position taken by such economists as Prof. Sumner Slichter of Harvard. They regard the continuing war against inflation as a brave campaign directed at the wrong enemy; deflation, they say, is stealing around to take us in the rear. This is the view that last week's stock market seemed more inclined to accept.

• **Forces for Deflation**—Those who are skeptical of the immediate peril of inflation say there are few, if any, strong expansionary forces today:

- Defense cuts will pull federal spending down. The Administration's new target figure of \$71-billion is about \$1.25-billion less than the rate of federal outlays in the April-June quarter this year.

- Business spending for new plant and equipment is leveling out. New contracts for industrial construction have dropped more than 30% since January; new orders for machinery, according to the McGraw-Hill index, have declined more than 6% since January.

- Tight money and listlessness among consumers (BW-Jul.27'57,p53) are forces of contraction at home. Stronger sales resistance abroad for U.S. exports will also work against expansion of the U.S. economy.

- **Counting on Consumer**—Nevertheless, most businessmen remain optimistic about the near future. They are putting their bets on the consumer, who sounded so zestless in the last Michigan consumer intentions survey. They think he will spend freely when he sees the new automobiles and realizes that he can afford to buy again, now that he has worked down much of the installment debt he contracted two years ago in the last big auto year.

The same consumer, the optimists predict, will put less money into services and will save less. And if he boosts his spending on goods by the same proportion, present worries about excess capacity and excess inventories will fade away. His summertime lassitude will prove to mean nothing.

This, at least, is the basis for optimism. The real test will be here in a couple of weeks.

# New Discount Move



FED CHAIRMAN, William McC. Martin, Jr., challenges Democrats on tight money.

- Regional Reserve banks fall in line with the new higher rediscount rate.

- But behind the scenes, a stubborn debate goes on in Fed over wisdom of move.

- In Congress, new verbal battles flare up.

- And Fed Chmn. Martin hits back at Democratic attacks on tight money policy.

The argument over tight money—how tight it should get, and how it affects the economy—flared up on many Washington fronts this week. Congressmen exchanged verbal broadsides over the new rise in the discount rate. Federal Reserve Board Chmn. William McC. Martin, Jr., challenged before a Senate committee (picture) the arguments that several leading Democrats had been developing against tight money. Even the Federal Reserve System itself was divided over the wisdom of its move.

## I. Debate in the Fed

The behind-the-scenes argument in the Fed concerned the new hike in the discount rate. The regional Federal

Reserve Banks started last week putting the raise into effect, thus endorsing the general advance in borrowing costs that in recent weeks has included everything from Treasury financing to bankers' acceptances.

But as close watchers of Fed policy had anticipated, not all the regional Feds jumped on the bandwagon at once (BW-Aug.10'57,p27). The move to a higher discount rate has not stilled a stubborn debate inside the Federal Reserve System over the wisdom of the move, and over the business outlook. The debate has simmered for weeks behind the scenes, starting long before the latest round of interest rises. It centers around the course of business in the next few months—whether the strong fall upturn so confidently ex-



# Adds Heat to Tight Money Debate

pected by many businessmen and bankers actually will occur.

- **Parade**—Four regional Federal Reserve Banks—Philadelphia, Chicago, Minneapolis, and Kansas City—touched off the higher discount rate. They got approval from the board of governors to raise the rate from 3% to 3½%, thus increasing the fee commercial banks must pay when they borrow from the regional Federal Reserves.

Boston, Dallas, and Atlanta quickly joined the parade, and other regional banks are expected to follow—but some, including the powerful New York bank, are reluctant.

It's the seventh consecutive boost since the current round of credit restriction began in April, 1955, and carries the discount rate to the highest point in 23 years. The rate stood at 1.5% at the beginning of the current climb. The newest jump of ½ of 1% is the largest since 1937.

Under Federal Reserve regulations, increases are requested by the regional banks, and cannot go into effect until approved by the board of governors.

- **From Another Quarter**—Almost at the same hour that the Federal Reserve announced the higher discount rate, another announcement affecting the money market came from the Treasury. New Treasury Secy. Robert B. Anderson, announcing his first borrowing operation, invited bids on \$1.75-billion of 237-day bills to raise cash during the seasonal low period of tax receipts.

Officials insisted there was no connection between the two announcements, but the timing highlights difficulties Anderson faces in higher borrowing costs.

- **Official View**—Federal Reserve officials in Washington characterize the discount rise chiefly as a technical adjustment of rates, with little direct effect on supply or price of credit.

Officials argue that when commercial banks last week raised by ¼ of 1% the rate they charge their prime customers—the biggest and best credit risks—a rise in the discount rate was made almost automatic. The increase in the prime rate was from 4% to 4½%, instead of the ¼ of 1% many had expected.

"Except for commercial banks, the new discount rate doesn't change much," one official puts it. "We don't expect any of the broad psychological effects that used to follow such moves. This one just follows along after other increases in the cost of borrowing."

"But," he adds, "suppose we had just sat on our hands? The old discount rate would have been a standing invitation for commercial banks to

borrow from the Fed at 3%, and reloan to their best customers at 4½%—a spread that might have stirred up some unwanted credit expansion. We've simply retained the old spread between the two rates."

- **Economic Split**—This explanation sidesteps the more fundamental economic debate that is still going on—though it is kept submerged by the tradition of silence surrounding the Federal Reserve's deliberations. The decision of the board in favor of the discount rise was understood to be a narrow one—four to three—and the split lingered on the economic issues.

There are two schools of thought in the system about the course of business in the next few months.

- **Optimists**—One school, led by key advisers to the board of governors and backed by a majority of the board, believes the economy is going to break out of the doldrums of the past six months into a new period of strong expansion, with renewed inflationary pressures and a greater-than-seasonal demand for credit.

This group talks about the index of industrial production rising from the current 143 to 150 by yearend, and gross national product going from a first-half rate of \$433-billion to over \$440-billion.

- **Doubters**—The other school is doubtful about the fall business rise. It feels the current sluggishness may carry over indefinitely. This group wanted to see a rise in production actually under way before increasing the discount rate. The New York regional bank was the strongest exponent of this view.

The arguments of the New York bank took two lines:

- On purely economic grounds, officials cited such softening factors as the new round of defense cuts (page 26), the leveling tendency of capital spending, and static consumer demand for durable goods. They argued that these trends were at least persuasive reasons for withholding judgment on the course of business in the fourth quarter. They could see no economic reason for raising the discount rate now, and so informed the board of governors in Washington. They still feel that economic conditions may force a decline in a few months.

- They also argued that a discount rise at this time would put the Federal Reserve in the position of merely validating the rise in the prime rate, thus surrendering the lead in policy determination to the commercial banks. They pointed out that a year ago, when the discount rate was raised, the Federal Reserve also followed.

They hoped the board of governors would at least wait to see whether softer business conditions would not pull down the new 4½% prime rate. They felt that any pull toward credit expansion in the interim could be checked by a tougher policy at the discount window.

The New York spokesmen didn't really expect to win on this point—but they did want to register a strong protest against having Federal Reserve discount actions merely follow along behind decisions of commercial banks.

- **Boston and Chicago**—New York is not the only Reserve district where there are doubts about the business picture. Some Boston officials share this point of view, and even in Chicago—one of the banks taking the lead in the discount rise—there's a feeling that the underlying trends don't jibe with a growing spirit of optimism about the rest of 1957.

Just a few days before it raised the discount rate, the Chicago bank published a survey of economic trends which summed up in these words: "A reading of most barometers . . . indicates that the boom has topped out and the economy has been tilted slightly downward in recent months. . . ."

- **What Caused It**—This is not the kind of assessment that ordinarily precedes a rise in the discount rate. The Chicago decision, as it turned out, was not based on this reading of underlying trends, but on the immediate demand for credit.

The bank's economic assessment pointed out that optimism about the fourth quarter is running high among businessmen and that consequently the demand for loans is expected to be high. The decision in Chicago—and in other regional banks initiating the move—was geared to this immediate factor.

The decision to raise the discount rate thus does not dispose of the argument over the underlying course of business. That's not going to be settled until the extent of the seasonal pickup can actually be measured.

## II. Martin Has His Say

As was inevitable, the discount rate increase became the center of a political flare-up in Congress, where both the House and the Senate have been carrying on inquiries into tight money. Democrats generally followed the lead of Sen. Robert S. Kerr (D-Okla.) and Rep. Wright Patman (D-Tex.) in denouncing it. Republicans defended it as merely following the market.

Chmn. Martin of the Fed's board of

governors, in his testimony before the Senate Finance Committee this week, also replied to the Democratic attacks. He explained why money is tight—and why the Fed is willing to turn the screws still tighter.

Martin is the third witness before the committee, which is conducting an omnibus investigation into the causes of inflation. The committee kept former Treasury Secy. George M. Humphrey in the witness chair 14 working days, followed by Treasury Under Secy. W. Randolph Burgess for 10 days.

• **Proposals**—Martin gave every sign of being willing to surpass both of these marks. He took the first day and a half to present an opening statement, spelling out his philosophy as the country's top central banker, and directly challenging Democratic criticisms of the Fed's tight money policy already in the hearing record.

He offered the committee two positive suggestions:

• **Bigger federal surpluses.** "It is clear the present situation calls for a larger budgetary surplus than we have had or have in prospect," he told the committee.

• **An explicit government goal of price stability.** Martin suggested that the wording of the Employment Act of 1946—which now commits the government to seek maximum employment, production, and purchasing power—be expanded to include a stable cost of living. He urged Congress to declare "resolutely—so all the world will know—that stabilization of the cost of living is a primary aim of federal economic policy."

• **Against "Creeping Inflation"**—Martin brushed aside arguments that high employment and stable prices are incompatible goals. A substantial part of his statement was an attack on the theory that creeping inflation is inevitable. He admits this idea has taken firm root; indeed, he blames it for a good deal of his present troubles with rising prices. He believes it is now so firmly a part of many businessmen's thinking that some decisions to invest in new plant and equipment are made on the expectation of inflation, not on foreseeable market growth.

• **Attack**—Martin took roundhouse swings at two ideas that had bobbed up frequently from Democrats in earlier hearings.

• In particular, he went after the contention of Sen. Robert S. Kerr (D-Okla.) and Sen. Albert Gore (D-Tenn.) that higher interest rates are a cause of inflation. Martin said this idea "is based upon an inadequate conception of the role of interest rates in the economy and upon a mistaken idea of how interest costs compare to total costs." He cited the role of interest in municipal budgets—about 2%. In utili-

ties, he said, it ranges from 3% to 5%.

In addition, Martin argued that interest rises, while not affecting consumer prices much, have a substantial deterrent effect on new capital investment projects, thus relieving inflationary pressures. Any attempt to prevent such rises by creating new money "would lead to a much more rapid rise in prices and costs than would result from any likely increase in interest rates."

• **A more nebulous Democratic idea** has been a suggestion that the monetary authorities can somehow relieve the shortage of credit without at the same time contributing to inflationary pressures. They apparently have in mind some sort of a bond-pegging program for Treasury securities.

Martin was blunt. There is no way to do this, he told the committee, without providing additional funds for the banking system, which "would be dangerously inflationary under conditions that prevail today."

• **Why Money Is Tight**—Chmn. Martin painted a picture of an economy still in a spiral of inflation despite the absence of major shortages.

"We are faced with the seeming paradox that prices are expected to continue to rise even though the specific bottlenecks in capacity that impeded growth or production in 1956 have now been largely relieved."

He conceded that houses, autos, appliances, and most basic materials are readily available.

As he sees it, the problem now is "one of broad general pressure on all our resources." He said aggregate demand is still in excess of aggregate supply at current prices—in short, inflationary pressures persist.

This "generalized pressure on resources," he added, "comes to a head in financial markets in the form of a shortage of savings in relation to the demand for funds."

It is this shortage that is driving up interest rates, Martin told the committee. But to relieve the pressure by creating new money in the form of bank credit would be a "betrayal of trust," and "can only aggravate the problem and make matters worse."

• **Portent**—All this adds up to a defense of Federal Reserve policy since the current round of credit restriction began in April, 1955. It is also Martin's prepared-in-advance defense to Democratic accusations that the newest increase in the discount rate is merely adding to inflationary pressures.

Moreover, it's a clear warning to the committee that the Fed is willing to see money get even tighter if demand for credit keeps on growing. Restraint on the growth of credit is still required, he said, because inflation is "clearly the most critical economic problem now facing this country."



LOUIS JOHNSON, although well versed in many aspects of government and military affairs, secluded himself with files at Key West to bone up for his new job in 1949.

## How to

THE TRANSFORMATION of a \$285,000-a-year, self-styled "soap peddler" into Charles E. Wilson's successor as Secretary of Defense (BW—Aug. 19'57, p28) got under way in earnest this week.

For Neil H. McElroy, Procter & Gamble Co.'s outgoing president and the Defense Dept.'s incoming boss, the changeover will be gradual. Some of the best brains in the Pentagon bureaucracy—Wilson among them—will help ease McElroy into the Secretary's job.

Just as Robert B. Anderson, the new Secretary of the Treasury, understudied his predecessor, George M. Humphrey, for about a month before taking office, so will McElroy break in slowly. Wilson's resignation won't be effective until late September. Meantime, McElroy will stick close to him learning the ropes. He has already been temporarily located in Room 3E874 at the Pentagon, near Wilson and the men on whom he'll have to lean the most.

This week, the Senate Armed Services Committee is beginning hearings on McElroy's nomination. Actually, his transition from businessman to bureaucrat began 10 days earlier when he flew to Washington from Cincinnati for a two-day round of briefings with Administration officials and discussion with Senate leaders.

• **Stock Problems**—Two main points—McElroy's own securities holdings and the Pentagon's budget difficulties (BW—Jul. 20'57, p28)—figured in last week's talks. On the first, McElroy agreed to sell about \$55,000 worth of General Electric Co. and Chrysler Corp. stock, and to quit the boards of directors of



ROBERT A. LOVETT, with nine years as Assistant Secretary of War and Under Secretary of State under his belt, needed practically no briefing for his role in 1951.



CHARLES E. WILSON had no military background, but his industrial experience made him an expert in military procurement and production when he took over in 1953.



NEIL H. McELROY, a self-styled "soap peddler," faces the most elaborate indoctrination program ever staged in the 10-year history of the Secretary of Defense post.

## Educate a Cabinet Member

the companies, both important military contractors. The aim: to avoid a possible conflict of interest.

McElroy's plan is to keep his P&G holdings, worth about \$583,000, since the company sells relatively small quantities of soap and detergents to the armed forces. But after McElroy's return to Cincinnati, people began remembering that P&G also operates an Army ordnance arsenal, employing some 1,000 workers, at Milan, Tenn. Whether McElroy will now be able to hold on to his P&G stock without a controversy over his confirmation is an unresolved question.

• **Budget Preview**—In advance, McElroy was given details on the military budget situation by Defense Secy. Wilson and Asst. Secy. W. J. McNeil, the Pentagon's comptroller. Key to the situation is the Defense Dept.'s (1) effort to sweat out at least \$2.2-billion from spiraling military spending this year, thus hold the line at the \$38-billion fixed in the January defense budget; (page 26) and (2) policy to keep next year's appropriation requests at or below this year's \$38.5-billion figure. According to a Pentagon budget official, decisions on the first problem "will be pretty well set" before McElroy is sworn in as the new Defense Secretary.

McElroy's first real chore of his own will be to oversee the preparation of the fiscal 1959 budget. But even here the groundwork has already been laid by Wilson, clamping a \$38.5-billion ceiling on new money requests before the Joint Chiefs of Staff start drawing up the nuts and bolts of next year's new

appropriation. McElroy, however, will be making the decisions of who gets what chunks of the total sum.

• **Indoctrination**—After McElroy returned to Cincinnati last week, Pres. Eisenhower sent his nomination to the Senate. Then Administration officials started planning McElroy's "education" for the Secretary's job.

Over the weekend, Marine Brig. Gen. Carey A. Randall, Wilson's military assistant, who will carry on under McElroy, was sent to Cincinnati to begin briefing McElroy in detail on Defense Dept. organization and operations. He carried with him military organizational charts, lists with names, photographs, and titles of key Pentagon personnel, and the like, for McElroy to study.

Tuesday evening, McElroy was back in Washington. He huddled all day Wednesday, prior to his Senate committee hearing, with Wilson and top Defense Dept. aides for a rundown on military legislation and a still more-detailed briefing on the Pentagon's administrative setup and responsibilities.

• **"Raw" Material**—Wilson, like McElroy, came from "outside" industry. But as the president of General Motors, the leading defense contractor, Wilson knew arms production and procurement and production problems. And as usual in a change of political Administrations he came in with his own administrative notions about how to run the Pentagon.

After Labor Day, McElroy will settle down to a regular schedule of formal briefings by the nine Assistant Defense Secretaries, the Defense Dept.'s general

counsel, the three Service Secretaries, and other top-level military staff organizations.

• **School Every Day**—Also, McElroy will be busy trotting after Wilson to important conferences and appointments. His schedule will run like this:

On Monday mornings, he will sit in with Wilson at Joint Secretaries meetings. The group consists of the Defense Secretary, the Deputy Secretary, the Secretaries and Under Secretaries of each service, the Assistant Defense Secretary for International Affairs, and any Assistant Defense Secretary whose operation is up for discussion.

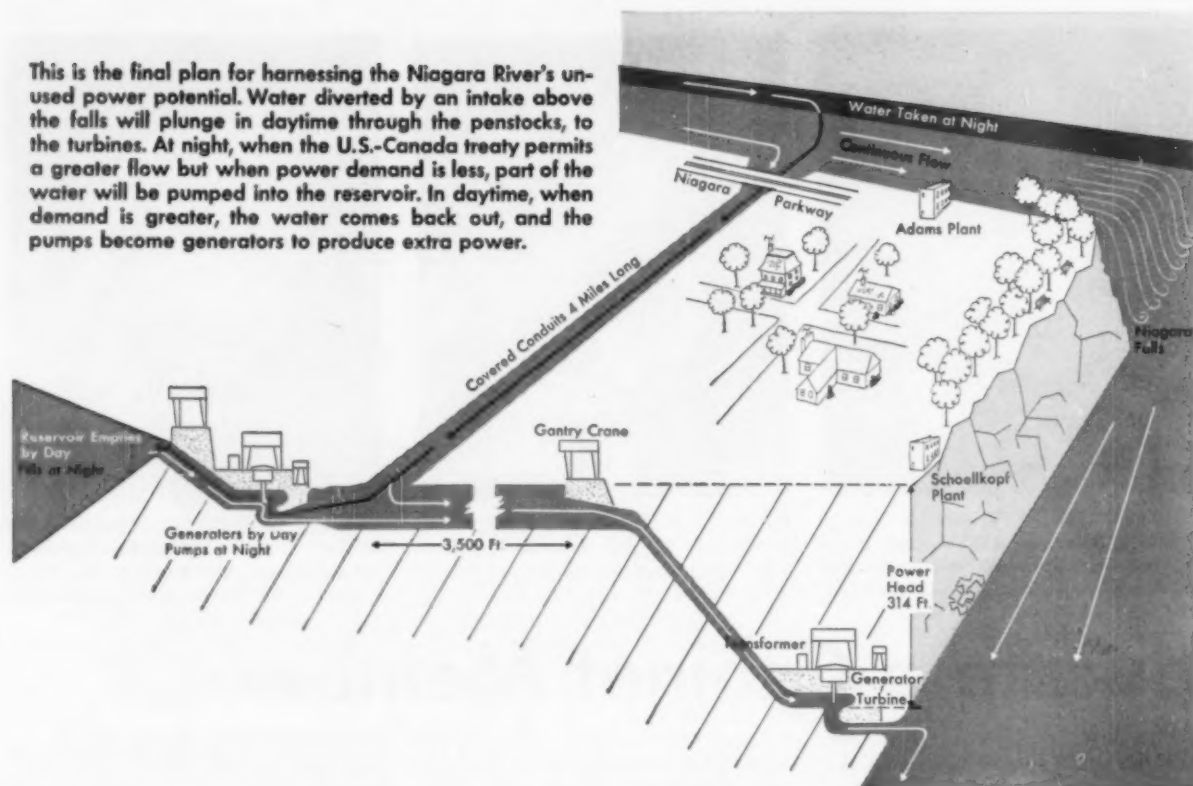
On Tuesday mornings, McElroy will go with Wilson to meetings of the Armed Forces Policy Council, which includes the five senior members of the Joint Secretaries group plus uninformed members of the Joint Chiefs of Staff. While the Joint Secretaries group concerns itself with civilian administrative and management matters, the council deals in matters with heavier military implications.

Thursday morning's schedule calls for meetings of the National Security Council; Friday's for Cabinet meetings. On Wednesday, it's likely that McElroy will find time to sit in on lower-echelon meetings of the Operations Coordinating Board and the Defense Mobilization Board, two interagency groups on which the Deputy Defense Secretary or one of the Assistant Secretaries ordinarily represent Wilson.

The date of Wilson's resignation depends pretty much on how fast McElroy breaks in. But Wilson will be around until at least Sept. 17.



This is the final plan for harnessing the Niagara River's unused power potential. Water diverted by an intake above the falls will plunge through the penstocks, to the turbines. At night, when the U.S.-Canada treaty permits a greater flow but when power demand is less, part of the water will be pumped into the reservoir. In daytime, when demand is greater, the water comes back out, and the pumps become generators to produce extra power.



# Niagara Goes to Work at Last

Congress has finally given the go-ahead to the New York State Power Authority's long-stalemated plans to develop 1.8-million kw. of firm power at Niagara Falls (above).

**A**RMIES of arm-in-arm newlyweds and ordinary sight-seers have goggled at the water that tumbles deafeningly over Niagara Falls. Now, at long last, the spectacle will cease to represent the greatest waste of hydroelectric potential in the country. All—instead of just some—of its energies will be put to work turning out power (page 172). The drawing above shows how.

The plans have been on paper for some time. But they stayed there until this week, when the Senate passed a bill designating the New York State Power Authority as the agency to build a generating station at the falls. Already approved by the House, the bill has only to be signed by Pres. Eisenhower before work can proceed. In 2½ years, the \$600-million project should be producing power—eventually, 1.8-million kw. worth at firm capacity.

• **An Impasse Passed**—Eisenhower's signature—which is taken for granted—will end a stalemate that began in 1950, when the U.S. and Canada reached a treaty agreement to develop Niagara River power, only partially exploited up to then. Canada has been taking full

advantage of its treaty benefits for years now. But on this side of the Rainbow Bridge, differences between private and public power interests have deprived the U.S. of its portion.

The dispute cropped up in Congress. In the 1950 treaty, the Senate had insisted that Congress—not the Federal Power Commission—should designate the developer of Niagara power on the U.S. side. The argument over who should get the privilege soon became three-sided: among advocates of New York State public power, federal public power, and the private utilities.

Meantime, industry in Buffalo and Niagara Falls was in the middle. The chemical and electrometallurgical companies that provide much of the area's employment could make no expansion plans without more power. They were tempted to build new capacity in the country around the Ohio River where steam power can be had for about 4 mills per kwh. But now that Congress has backed the New York Power Authority, and assured more Niagara kilowatts, they can plan firmly for the future.

The legislation for Niagara development might still be bogged in Congress if it hadn't been for a rock slide. In June, 1956, the slide demolished the Schoellkopf station of Niagara Mohawk Power Corp. at the falls. With it went capacity for 365,000 kw. This crisis led to a series of compromises.

## I. Compromising the Issue

To avert a power shortage, Niagara Mohawk had to turn to the Ontario Hydro-Electric Power Commission—Canada's agency on the river—to buy power. This was, of course, more costly than the company's own. The big Niagara Falls industrial users found their power bills zooming. For instance, Carborundum Corp. paid 4.22 mills before the slide, 6.245 mills after; Kimberly Clark 3.87 mills before, 5.54 mills after; Vanadium Corp. 4.47 mills before, 6.65 mills after.

• **Peace Pact**—Niagara Mohawk had obtained a 50-year FPC license in 1921 to generate hydro power on the Niagara. But it was uncertain whether the permit would be renewed in 1971, and without such assurance, it was unwilling to rebuild Schoellkopf. With Schoellkopf lost and its Adams station on the river producing only 80,000 kw., the company decided to abandon its license and make a deal with the State Power





A welder joins sections of pipe line which will carry Barinas crude to market. Unlike practice in this country, in Venezuela pipe line is left above ground.

## Making History in Venezuela

Deep in the heart of Venezuela, Sinclair's persistence in the search for oil is reaping its reward. That nation's most remote oil field, the Barinas field, will soon send its first oil to market. The volume will about double the crude output of Sinclair's subsidiary, Venezuelan Petroleum Company.

For almost 30 years, Sinclair scoured the Barinas Basin. Its first well in '31 was dry, but exploration continued. Four years ago a wildcat well found oil. Subsequent wells did, too — enough oil to make practical the longest pipe line yet built in Venezuela. Now near completion, this large-diameter line is being built in conjunction with another com-

pany and runs 212 miles from Barinas to historic Puerto Cabello on the Caribbean.

The Barinas field is an important addition to the growing list of U. S., Canadian and Venezuelan fields brought to life under Sinclair's expanded crude production program.

# SINCLAIR

*A Great Name in Oil*

Authority. Under the compromise, it agreed to cooperate with the authority in return for a guarantee of 445,000 kw. to make up for Schoellkopf and Adams (which would be closed).

That was in September, 1956. By January, other private utilities also had swung their support to the authority. Then the problem became public power extremists, who wanted municipally owned utilities and rural electric co-operatives to get preference for the entire output of a publicly developed Niagara, through a so-called "preference clause."

The New York authority, headed by Chmn. Robert Moses, had tentatively allocated 125,000 kw. to these "preference" customers. It had also agreed to make it possible to divert another 200,000 kw. from private utilities to them. In Moses' view, this was adequate, because New York has relatively few municipal utilities and co-ops—and the trend is toward fewer.

• **Half a Loaf**—Sen. Robert S. Kerr (D-Okla.) worked out a compromise acceptable both to the public power extremists and the State Power Authority supporters in Congress. Under its terms, 900,000 kw.—or half the plant's firm capacity—would be subject to the preference clause. This is more than Moses thought necessary, less than the extremists wanted.

## II. Allotting the Power

The Niagara plant's firm capacity of 1.8-million kw. is based on a plan making use of virtually all the 326-ft. drop in the falls. (The Schoellkopf plant had used only 215 ft., Adams 135 ft.) In addition, the authority counts on gaining at least 200,000 kw. more from a tie-in with the St. Lawrence River power plant now under construction (BW—Feb. 23 '57, p. 32).

Here's how the authority would allocate the 2-million kw. total:

- 445,000 kw. to Niagara Mohawk to compensate for its losses.
- 700,000 kw. to Niagara Mohawk, New York State Electric & Gas Corp., and Rochester Gas & Electric Corp., for their domestic and rural customers.
- 250,000 kw. for expected expansion among existing industries.
- 300,000 kw. for anticipated needs of Olin Mathieson Chemical Corp.'s future defense plants.
- 180,000 kw. for Ohio and Pennsylvania—if they set up agencies to take it.
- 125,000 kw. for municipalities and co-ops.

This week, the authority decided which contracts will be subject to the preference clause. Congress said 900,000 kw. of power must be earmarked as withdrawable for public bodies. This will include the 125,000 kw. for munici-

palities and co-ops, the 300,000 kw. for future defense plants, and 475,000 kw. of the 700,000 kw. destined for private utilities. Actually, Moses and the utilities are sure that the 125,000 kw. already allotted to the municipalities and co-ops will suffice for their most optimistic demands. If this should prove to be the case, power would not have to be withdrawn from other customers.

• **Unsolved Problems**—The authority must settle on a basis for dividing among the three utilities the 700,000 kw. allotted to them. Originally, the authority wanted to use their rural and domestic loads as the basis, but industrial loads may also be considered.

Another problem will be reaching a decision on whether to sell industry its 250,000 kw. directly or through the utilities. The authority set the 250,000-kw. figure after a survey of existing industries, which reported that they would expand capacity by 25% in five years if power were available at 4 mills—the expected rate. No one expects the project to attract new industrial customers using lots of power; there isn't that much to spare.

• **Conversion Troubles**—Industry in the Niagara Falls area faces the problem of converting from 25-cycle power (the only sort available when the older plants were built) to 60-cycle juice. The Schoellkopf station turned out about 200,000 kw. of the area's 650,000 kw. of 25-cycle power; when it collapsed, Niagara Mohawk had to buy Ontario's more expensive 25-cycle electricity. Now the company says no new 25-cycle generating capacity will be built. This means that industry must find some way to convert to 60 cycles.

For months, Niagara Mohawk and its customers have been haggling over conversion costs. Now a compromise seems near. The utility proposed a new set of 25-cycle rates—lower than it had originally suggested—in return for an industry agreement to convert by fall, 1959. The proposed rate schedule would also hike the cost of 60-cycle power. It must be approved by the New York Public Service Commission.

• **Next Steps**—As for the Niagara project itself, preliminary work is already under way. Moses has wangled \$825,000 out of a state emergency fund to finance a head start. The authority has let the contract for its turbines, made test borings for power plants, issued specifications for generators, and hired engineers.

The next problems will be financial. The authority plans to borrow about \$50-million on a short-term basis from banks immediately. Then it will issue its \$600-million in revenue bonds in chunks of \$50-million or so, timed to arrive in the bond market at propitious intervals.

## Exit Write-Offs

**Fast amortization gets a heavy trimming in bill due to become law, with final death decreed at end of 1959.**

The big years of the government's rapid tax amortization program neared their end this week. Now the program enters a new phase, probably its next to last. For the next 28 months, certificates will be strictly rationed. After that, it appears the program will be closed down entirely.

This sequence became virtually certain as the Senate passed a bill decreeing the program's death by Dec. 31, 1959, and allowing a minimum number of exceptions in the interim. The Senate action was forced by aggressive opposition of Sen. Harry F. Byrd (D-Va.) to the program. The House passed the bill Wednesday and Pres. Eisenhower is expected to sign it.

• **Slimming Down**—The present program was born in the early days of the Korean War as an incentive to expansion of defense-related industries. In all, plant and equipment costing \$23-billion have been certificated, entitling their owners to part—and in rare instances, total—write-off of construction costs, when figuring taxes, in five, rather than 10, 20, or 25, years.

In recent months, certifications have dropped off sharply as expansion targets were met. Today the Office of Defense Mobilization has only a handful of open goals, all directly related to defense.

These will be trimmed further. Under the new legislation, ODM would have to limit approvals to (1) new and specialized plant and equipment built to fulfill Defense Dept. or Atomic Energy Commission contracts, and (2) research and development facilities for direct defense.

Heretofore, ODM could grant fast write-offs for such facilities whether or not the applicant had a contract in hand.

• **Final Fling**—This more liberal approach will be applied for the last time on some \$24-million of plants to provide 4-billion cu. ft. a year of new capacity for liquid oxygen and liquid nitrogen for fuel for ballistic missiles.

Preliminary sifting of the applications was completed only this week. The big problem: Goals were greatly oversubscribed.

Nearly all present producers of liquid oxygen and nitrogen applied, along with companies that now process the liquid only in gaseous form. Largest single application is for a \$10-million plant, by Linde Air Products Co.



The telephone "key town" plan, which Franklin Sugar Refinery has been using for more than three years with much success, being discussed by director of sales Edward S. Meell and salesman John L. Carr (left).

## How to call on customers twice as often—at low cost.

By combining personal visits and "key town" telephone calls, salesmen for Franklin Sugar Refinery of Philadelphia now talk to customers twice as frequently, at low cost.

Here's how the plan works: a salesman travels to town "A," calls on his customers there and telephones those customers in surrounding towns "B," "C" and "D."

On the next trip, town "B" is the

"key town" and he telephones customers in towns "A," "C" and "D."

In this way he visits each customer twice a year and talks to him by telephone frequently between visits!

*This is only one of several telephone plans which may be adaptable to your particular business. If you'd like more details, just call your Bell Telephone Company business office.*

BELL TELEPHONE SYSTEM

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Baltimore to Norfolk, Va.	70¢	20¢
New York to Boston	75¢	20¢
Houston to Oklahoma City	\$1.15	30¢
Los Angeles to Salt Lake City	\$1.35	35¢

Add 10% Federal Excise Tax

# In Business

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## Philco Blows Whistle on RCA, Charges Domination of Radio, TV

Philco Corp. went to unusual lengths this week to take a whack at its biggest, bitterest rival in the appliance field. It sought to block renewal of licenses to Radio Corp. of America's affiliate, National Broadcasting Co., to operate radio station WRCV and station WRCV-TV, both in Philadelphia.

The Federal Communications Commission had routinely renewed the licenses on July 18 without a public hearing. Philco just got under the 30-day time limit for protesting. FCC may call a hearing within 30 days or reject the protest, in which case Philco can go to court.

Philco charges domination of radio and TV by NBC and an unfair advantage for RCA in using NBC to advertise its appliances to an extent no competitor can match. It questions RCA's fitness, in view of 11 pending suits charging antitrust violations and unfair trade practices, to operate radio and TV stations in the public interest.

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## Boston's Newsstands Are Emptied As Strike Shuts Down Six Dailies

Newspapers made news in Boston this week, but six of the city's dailies didn't write about it. They couldn't—publication had been suspended after 300 mailers went on strike in a wage dispute.

The mailers, who take papers from the presses and bundle them for distribution, are averaging \$94.13 a week. They want something nearer the national average of \$110, and they rejected a raise of \$8 spread over two years.

While negotiations go on, 5,000 other newspaper employees are temporarily jobless, and a combined circulation of 1.3-million is stagnant. Bostonians are snapping up New York and New England papers that trickle in; advertisers are hastily switching to radio and TV.

Meanwhile, the Christian Science Monitor, to preserve neutrality, has taken its copies off newsstands within 30 mi. of Boston; subscription copies are being mailed as usual. The Monitor is not unionized but matches union settlements.

• • •

## Lack of Support Shelves Bill To Ease Regulation of Natural Gas Prices

The bill to ease federal regulation of natural gas production was given an abrupt burial this week. House Speaker Sam Rayburn, who wants to see the bill passed, admitted defeat, and said the measure won't even be called up for debate.

Rayburn gave as his reason the urge of Congress to

adjourn, and the lack of time for a big floor battle over the measure. The proposed bill would rule out price regulation by the Federal Power Commission and thereby give producers a chance for better financial returns.

Congressional insiders say, however, that the real reason for Rayburn's surrender was his failure to come up with 100 Democratic House votes pledged for the bill. Republican Leader Joseph W. Martin, Jr., had demanded that number as a minimum before making a move to line up the Republican support that would be required to pass it.

Rayburn is optimistic about the bill's chances in 1958, but odds are against it. Next year is an election year, and congressmen who balked this year will be even more responsive to propaganda campaigns against the measure.

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## Business Briefs

The new Edsel car will make its formal bow on Sept. 4 in 1,200 dealer showrooms, Ford Motor Co. announced.

B. F. Goodrich Co. dropped its suit against Firestone Tire & Rubber Co. over tubeless tire patents. Three months ago, Goodrich lost an appeal in a suit against U. S. Rubber Co. (BW—Jun. 1'57,p46).

This year's cotton crop is estimated by the Agriculture Dept. at 11,897,000 bales—down from 13,310,000 bales last year and a 1946-55 average of 13,669,000 bales. With the cotton surplus shrinking slightly, Agriculture Secy. Benson boosted price supports a notch—to 78% of parity, instead of 77%.

Blessings of live TV from the U. S. will be extended to Cuba within a month. AT&T will send TV and radio-telephone signals 185 mi. over water by bouncing them from a layer of the upper atmosphere.

Price cuts: Esso cut its heavy fuel oils (No. 4 to 6) by 5¢ a bbl. at Philadelphia, 10¢ at New York and Baltimore, 11¢ at Boston, 7¢ at Charleston, 9¢ at Norfolk . . . Gasoline prices dropped nearly 2¢ a gal. in a Detroit price war; Atlantic Refining shaved 1¢ from Pennsylvania prices . . . Prices for heavy sheet glass and for thin glass used in picture-framing were cut 5% to 16% by leading makers, to meet foreign competition, they said.

Syracuse University set up a non-profit research corporation that will take on industrial contracts.

Ford Motor Co. says it has discovered a chemical—a yellow powder, vanadium pentoxide—that removes noxious, smog-causing hydrocarbons from auto exhaust gases. The chemical is inserted in a chamber in the exhaust line. Commercial use is two years off, says Ford.

Blends of Dacron and Orlon will be the fastest-selling tropical suits for men next summer, says du Pont. These materials can be either washed or dry-cleaned; suits will sell in the \$50-\$60 price class. Ten makers used the material in last spring's line; du Pont says at least 50 are lined up for next season. Du Pont is sole U. S. producer of both fibers.



# "Out of the everywhere"

Within the lifetime of the 4,000,000 U. S. babies born last year, the population of this republic will have doubled! This friendly invasion is the equivalent of a new market the size of Chicago, every calendar year.

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Your share of the new markets depends on it.

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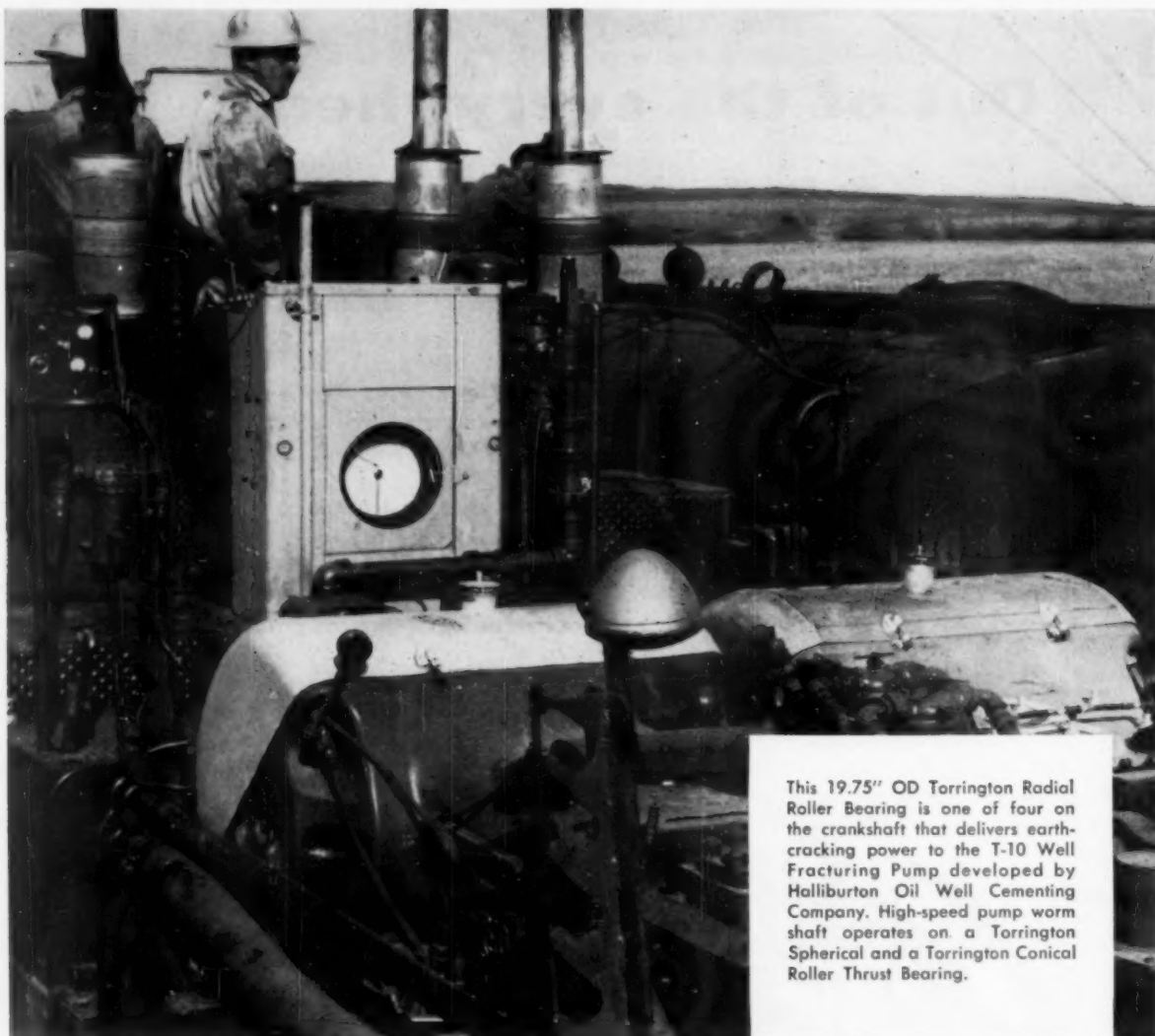


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This 19.75" OD Torrington Radial Roller Bearing is one of four on the crankshaft that delivers earth-cracking power to the T-10 Well Fracturing Pump developed by Halliburton Oil Well Cementing Company. High-speed pump worm shaft operates on a Torrington Spherical and a Torrington Conical Roller Thrust Bearing.

## Controlling a man-made earthquake!

Millions of barrels of oil are being added to our recoverable resources by "fracturing"—a controlled, man-made earthquake. Sand-carrying fluid is pumped into a well with enough pressure to crack and enter a formation. Sand remains to prop open the new fissures.

Pressure is applied through a Halliburton T-10 Well Fracturing Pump. Mounted on the crankshaft of this pump are four Torrington Radial Roller Bearings. There they render dependable service and meet the demanding requirements of severe space and weight limitations.

The precision construction, quality steels and skilled heat treatment that go into Torrington Bearings have made them rugged, dependable performers in all types of oil-field equipment. Call on your Torrington representative for engineering service in the application of anti-friction bearings to your heavy-duty equipment. **The Torrington Company, South Bend 21, Ind.—and Torrington, Conn.**



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# WASHINGTON OUTLOOK

WASHINGTON  
BUREAU  
AUG. 17, 1957



Watch for Pres. Eisenhower's official budget revision, due within the next few weeks. It will have significance for business.

It will give a new measure of the economy drive—both of the effort in Congress to cut last January's record peacetime spending schedule and of the White House's own appraisal of its efforts to hold defense spending.

So it will give clues to next year's tax cut possibilities.

Here's the prospect, based on what is happening here in Washington:

Start with the January budget, which outlined the spending plans for the 12 months ending next June 30. Eisenhower figured in January that spending for this fiscal year would top \$71.8-billion. He put receipts at some \$73.6-billion. The indicated surplus was \$1.8-billion. That was the budget put together last fall and given Congress in January.

The spending total might even drop a bit below \$71.8-billion, but not substantially. Congress is making some economies, in dribs and drabs, that will add up—if military spending is brought back in line. But we're talking millions now, not billions. Receipts will be up. Current business levels are higher than anticipated last fall.

So tax cut prospects for next year brighten.

Relief for individuals will come first. There's a political reason: Individuals vote, and next year is a Congressional election year. There also is an economic reason: The capital boom of the past few years now shows some signs of tiredness. Economists reason that a reduction in individual income rates would free consumer purchasing power and that this, eventually, would make demands on excess capacity now showing at plant levels.

Corporations might get relief. But there's no certainty. The law passed this year continuing the 52% rate on profits will expire next summer. The most business can expect is a drop to 50%. This would mean that the shareholders and Uncle Sam would split profit dollars 50-50.

Take a fresh look at the defense spending cuts. News accounts of what is happening in the final days of Secy. Wilson's reign tend to confuse the real significance of these so-called cutbacks (page 27).

Military spending is out of hand, pushed up by competition among the three services—Army, Navy, and Air Force. The Wilson economy orders are designed to get this spending back on the track.

No big budget cutback is involved. In January, Eisenhower projected defense spending at about \$38-billion. Since January, the actual rate of spending has hit an annual pace of nearly \$42-billion—some \$4-billion above what had been anticipated. Now, the Pentagon is under orders to get back to the level forecast in January.

The President's worry over foreign aid money is this: Unless Congress votes most if not all of the \$3.367-billion authorized for fiscal 1958, we will not be able to give enough military aid money to our allies to keep a strong barrier against Soviet might.

Eisenhower's threat to call Congress into special session to vote at least \$3.1-billion came after the White House heard disturbing reports that the House of Representatives might cut the appropriation to \$3-billion

# WASHINGTON OUTLOOK (Continued)

WASHINGTON  
BUREAU  
AUG. 17, 1957

or less. The Administration believes this total would not be sufficient to continue military aid, because the backlog in funds is down to only about \$4-billion.

**Administration aides make \$3.1-billion the breakpoint.** If Congress, finally, appropriates that much, Eisenhower will take it. If it is less, he will call for a special session. Democrats are complaining of a squeeze play, claiming the cut in foreign aid is not their party's fault. But the President is adamant. His extraordinary news conference was the first such since World War II.

—●—

**Democrats are worried about their thin Senate control.** They recognize the possibility that the GOP may take over before adjournment. No one likes to talk about it, but here's the situation:

**Wisconsin will elect a senator Aug. 27** to fill the vacancy caused by the death of Sen. Joseph McCarthy. Nearly everyone gives the Republicans the edge in this contest. If the GOP candidate does win, the Senate division will go back to what it was—49 Democrats and 47 Republicans.

**But Democratic Sen. Neely of West Virginia is critically ill.** And West Virginia has a Republican governor, who would appoint Neely's successor.

**This helps explain the Democratic push to adjourn Saturday, Aug. 24.** If Senate Leader Johnson and House Speaker Rayburn can bring the session to a close by then, there will be no question about the Democrats holding their Senate control at least until Congress meets again.

**Republicans will reorganize the Senate if and when they can.** They will have a 48-to-48 tie with the Democrats if they win in Wisconsin and the governor of West Virginia has to name a replacement for Neely. The tie-breaking vote would be cast by Vice-Pres. Nixon. Some pretty big political stakes are involved. The Democrats have been using their majority position to investigate and embarrass the Administration. A GOP takeover would blunt and eventually put an end to this advantage.

**Here's what you could anticipate:**

**The Democratic attack on fiscal and monetary policy** would come to a halt (page 28). Chmn. Byrd of the Senate Finance Committee would be replaced by Sen. Edward Martin (R-Pa.), a White House supporter.

**Sen. Kefauver would be muffled.** Right now, the Tennessee Democrat is attacking big business for price hikes and economic concentration (page 23).

**Chairmanship of the labor rackets investigation** would not be changed. Sen. John McClellan, as author of the resolution to set up the committee, would retain nominal leadership, even if Senate party control changed. He would be plagued, however, by demands of some Republicans to turn the present inquiry toward union leaders, such as Walter Reuther, who have been identified with the Democrats (page 138).

**It's a situation to watch.** If the Democrats should lose Senate control, they can shift their investigations to House committees. The value of such inquiries, politically, depends in large measure on the publicity they get. House committees never get so big a play in the news.





3M designs the automatic tape applicator...

## Now tape puts a punch in cleanser sales

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Finding the *right* combination of tape and dispenser is an everyday job for 3M specialists. They work with the world's most complete line of tape and applicators. So whenever *you* have a need for a manual, semi-automatic or automatic dispenser for pressure-sensitive tape, write 3M. If necessary, we'll be happy to design a special dispenser for your needs. And there's no charge or obligation, of course.

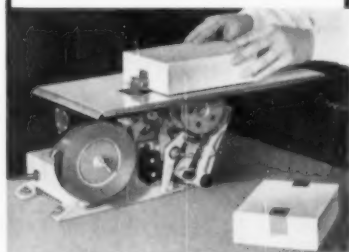
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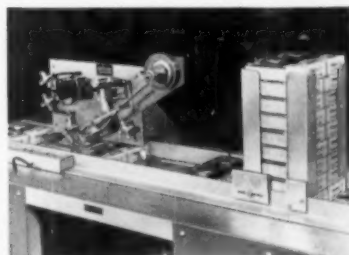
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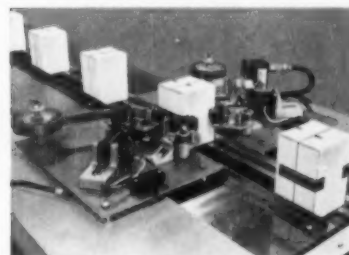
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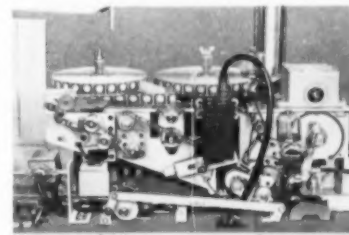
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# Explosion on the Movie Lot

**Loew's, Inc. board splits down the middle in bitter battle that heads for proxy fight by way of the courts of two states.**

**T**HE FRAGILE six-month-long peace that hovered over Loew's, Inc., once the kingpin of the worldwide movie industry, has shattered explosively. For the immediate future, the economic and artistic outlook of the big movie maker is uncertain.

What is certain is: a lawyers' paradise, as suits and countersuits multiply, charging everything from slander, through conspiracy, to fraud; at least one proxy fight, and a possible string of them; some brand new forces hovering around the edges of the current battle, hoping to pick up some pieces after the current main contestants chew each other up.

• **Battle Lines**—A "compromise" board elected in February has been depleted by resignations, split into two separate minority "boards," with each challenging the other's legality. Studio picture-making operations are continuing, but any effective corporate actions are at a standstill.

The ostensible contestants are still Joseph R. Vogel (picture), president of Loew's, Inc. since last October, and Joseph Tomlinson, a Canadian contractor and hotel owner, whose 5% beneficial interest (approximately 250,000 shares) in the company probably makes him the largest individual owner.

Lined up behind Tomlinson—to fill out an attacking triumvirate—are Louis B. Mayer, former studio head of Metro-Goldwyn-Mayer, the picture-making side of Loew's, and one-time "highest paid man in America," and Stanley Meyer, a former television co-producer. Tomlinson and Stanley Meyer are directors. Behind Vogel are the current Loew's working management—and, emotionally at least, most of show business.

Somewhere in the middle sit two investment banking houses, Lehman Bros. and Lazard Freres, who between them own or influence anywhere from 200,000 to 2-million shares out of some 5-million outstanding—and who, for the record, insist they have no concern in the current hassle at all.

• **How It Stands**—As of midweek, the situation looked like this:

Loew's board of directors, reduced from 13 to nine by resignations over the past month, has split in two. The bylaws require seven directors as a quorum to conduct business. The Tomlinson group, five in number, "elected" two others—L. B. Mayer and Samuel J.



**DEFENDER.** Loew's Pres. Joseph R. Vogel parries blows of attacker Joseph Tomlinson.

Briskin—to provide the quorum and give them an uncontested majority. The group contended the action was valid under another bylaw permitting directors to fill vacancies even if there is not a quorum—and asked a Court of Chancery in Delaware (where Loew's is incorporated) to validate it. The Vogel group, with only four directors left, is contesting. Hearings are scheduled for Aug. 22.

On its side, the Vogel group has called a special stockholders meeting on Sept. 12 to vote on ousting Tomlinson and Stanley Meyer as directors, on increasing the board from 13 to 19, and on electing new directors to fill the vacancies and new posts. The first Vogel proxy solicitations went out last

week, backed by a professional proxy soliciting outfit.

Tomlinson's side has moved to stop the meeting, claiming it is both illegal and unnecessary. Vogel countered by obtaining a temporary injunction this week in New York State courts to prevent interference with the meeting. The Tomlinson side, at midweek, had not started soliciting proxies.

## I. Big Stake

The prize at stake is a big one. M-G-M, as a movie maker, has been sick in recent years, lagging sadly behind the rest of the industry in adapting to new conditions. Loew's over-all earnings have declined from \$8.69 per share

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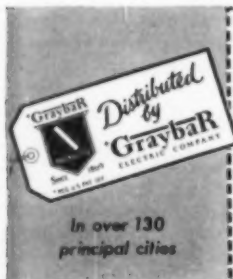
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in 1944 to \$1.55 in 1950 to 91¢ last year. In the latest quarter, ending June 6, earnings slumped to less than 1¢ a share, against 15¢ for the comparable 1956 period. Its picture-making studio activities have lost, heavily, for most of the last decade, and from all indications will continue to lose money for at least a year more.

The company has consistently shown a net profit, but it has come from other sources—from the still-to-be-divorced chain of close to 170 theaters around the world (Loew's is the only major company that has not yet completely severed picture-making and theaters under the decade-old antitrust decree), from a successful record subsidiary, from healthy returns on the re-issue of earlier great films, from leasing old films to television.

The prize is still rich, however—though paradoxically, in the face of an impending proxy fight, the price of the stock has dropped steadily. Early this week it was around 17, down from 22 a few months ago. Book value runs in the \$26-\$27-a-share range. But a good many Wall Streeters figure the real—or liquidating—value of the stock could easily run around \$50 a share.

• **Main Assets**—That's figured largely on three things: real estate, a big film library, and potential profit in other-than-picture activity.

The real estate includes unquestionably the finest motion picture studios extant (covering some 187 acres in Culver City and the second largest studio in Great Britain), four office buildings (two in New York, one each in San Francisco and Kansas City), a record manufacturing plant, and the theater chain.

The real estate is carried on the books at \$92-million—but that's based on appraisals made as far back as 1925, with subsequent additions carried at cost.

The company's film library isn't even listed in the assets—but outsiders figure that between re-release and TV rights, it's worth a probable long-run \$75-million. Loew's owns a radio station—WMGM in New York—part interest in several TV stations, a music publishing company. Its record subsidiary brings in around \$1-million net a year. Its picture-distributing organization is still the strongest in the business.

## II. Getting Up Steam

Yet it's a question, in the current all-out clash, whether economic prospects are as important a factor as the intense emotions, wounded feelings, and personal ambitions that have developed on both sides.

What has actually been happening inside Loew's for the past six months or so is somewhat murky. Each faction—or persons claiming to talk for them—



has its own version. And for the past few weeks Tomlinson, Stanley Meyer, and their attorneys have flatly refused to discuss the matter publicly.

Show business being what it is, the fog is compounded by vast clouds of rumor. But on some events, at least, there is an approximate consensus.

• **Preliminaries**—The stockholder resentment at Loew's, which had been growing in the leaner and leaner post-war years, started to crystallize about two years ago, when pressure began to increase from two sources—banking groups and Joseph Tomlinson. Tomlinson, admittedly a large stockholder, managed to personalize and focus widespread feeling against arbitrary tactics, nepotism, and obvious management misjudgment of current industry needs.

The mounting pressure forced Nicholas Schenck, Loew's long-time president, upstairs as chairman, brought in Arthur M. Loew, head of Loew's International, as president. Loew soon decided he didn't like the spot, went back to his old job. Last October, Schenck was forced out completely, along with Dore Schary, who had succeeded L. B. Mayer as studio head. Vogel, with Loew's for 40 years and head of the theater operation since 1945, came in as president.

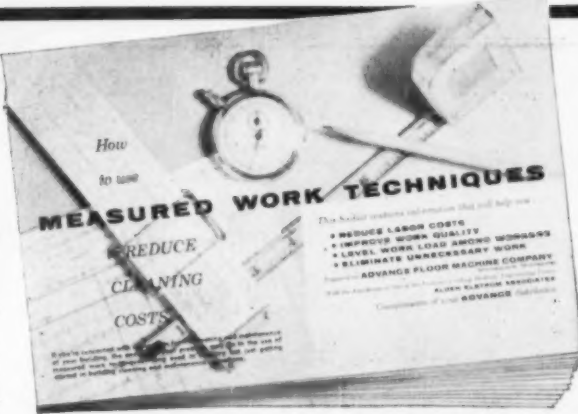
• **Compromise**—But Tomlinson wasn't satisfied, and threatened a proxy fight to sweep out all the "old crowd" and bring back L. B. Mayer to "make the lion roar again." The February compromise averted the proxy fight by giving six directors to Tomlinson's group and six to Vogel, with one "independent" generally considered to represent the Lazard-Lehman banking group.

• **But No Peace**—Compromise didn't mean peace, however, and cross-sniping went on continually from the day of election. Before the new board took office, Vogel had introduced some economies—particularly in the studio—and some reforms, including cancellation of contracts with some concessionaires closely related to old management officials. But from then on, it was practically impossible to get agreement on any important matter.

As a result, many potential actions never came before the board officially. With defeat certain in advance, the proponents wanted to avoid an official rejection on the record. One such proposition that has apparently fallen through: a proposal deal with the Hecht-Hill-Lancaster organization, easily the hottest of the "independents" in Hollywood today. Word was passed that the Tomlinson group would vote against it.

• **Steadfast Aim**—Since the beginning of the public fight 10 months ago, the avowed aim of the Tomlinson forces has been to oust Vogel and, with him, all the remaining top echelon.

So far, however, there has been only



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one replacement. Two weeks ago, Robert H. O'Brien took over as financial vice-president, with a five-year contract—replacing Charles C. Moskowitz, long a target of both stockholders and bankers. A former member of the Securities & Exchange Commission, O'Brien is known as one of the industry's top men. He came from American Broadcasting-Paramount Theaters, Inc., where he had charge of divorcing theater and picture-making branches. His job at Loew's will be similar—and he'll have to solve the tricky problem of allocating the company's 30-million funded debt between the two operations.

### III. What They Want

Precisely what plans the Tomlinson-L. B. Mayer-Stanley Meyer group have for the company if they take over is far from clear. L. B. Mayer has been in the fight officially only since his "election" as director last month, but Tomlinson proposed his return to the company last year.

Mayer has been carrying on a running vendetta with the Loew's management ever since he was forced out a half-dozen years ago. The stated plan is for him to come back as "consultant," to call the shots on future picture operations.

There's little doubt that he has been advising Tomlinson since the fight began. A number of Tomlinson meetings have been held at his home, and two Tomlinson directors—K. T. Keller, former chairman of Chrysler Corp., and former Defense Secy. Louis A. Johnson—are close friends of his.

- **Ambition**—Stanley Meyer's plans are less obscure. Meyer, whose major credit in the entertainment industry was as co-producer with Jack Webb of the TV series, *Dragnet*, is reportedly the man who smelled out the possibilities of an explosion at Loew's, and brought Tomlinson and L. B. Mayer together.

His major proposal, according to most reports, was first to make himself president of Loew's—and when not even the Tomlinson side would buy that, to be put in charge of all studio operations as executive vice-president.

- **Unclear**—Whether Tomlinson himself—with the most to lose or gain financially in the group—has any specific plans is unclear. Some reports have it that he got angry because of a fast shuffle he got as stockholder from Schenck, got angrier during the current hassle, and sees no reason why, as an already successful businessman, he could not be equally successful in cleaning up Loew's, say as board chairman.

- **Vogel's Defense**—What Vogel might accomplish as Loew's president is also unclear—since for practical purposes, he has had no opportunity to act. The industry acknowledges that as head of

Loew's theater operation he did a good job. Even in the full shock of the new TV attack, from 1950 to 1955, Loew's chain stayed in the black.

But the Vogel side has some pat answers to the opposition:

- Good or bad, he's the only one on the current board with any knowledge or background in the motion picture business.

- The losses still being shown are the results of pictures, deals, and long-term commitments made by the previous regime—to which, as a theater man, Vogel was opposed.

- There's no valid reason for sweeping out every old official. Vogel says, "You don't court-martial the competent captain for carrying out orders because the general orders a stupid move."

#### IV. The Explosion Comes

With such a buildup of bitterness on both sides, an explosion was inevitable. On July 12, it came.

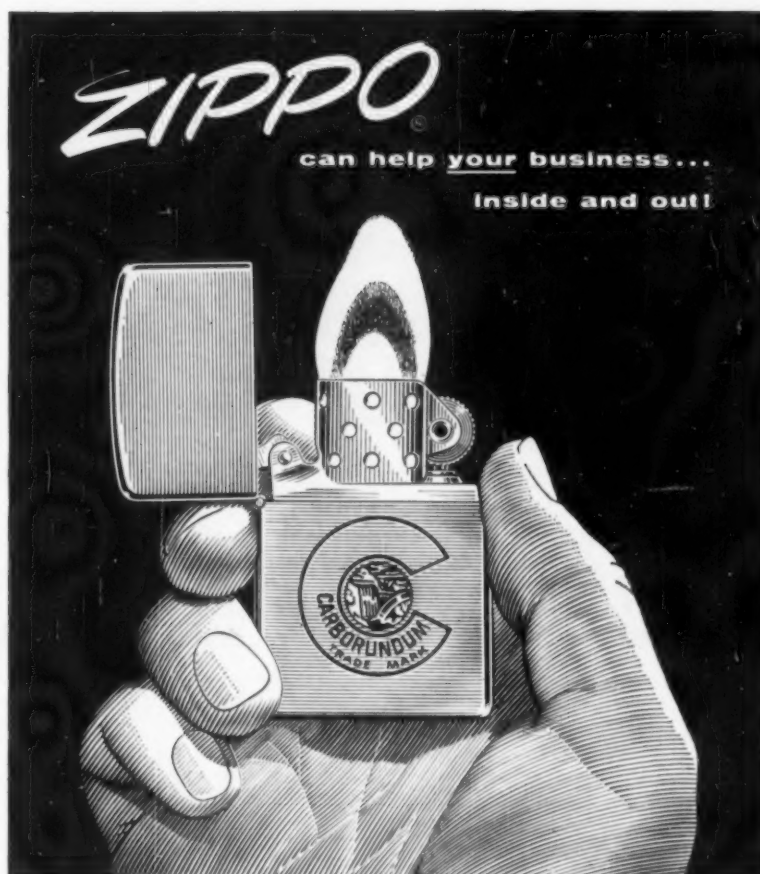
On that day, the Tomlinson forces reportedly walked into a board meeting with a demand for Vogel's resignation and a candidate for president in Samuel J. Briskin, a producer recently associated with Paramount Pictures. According to some stories, the group had releases ready announcing Vogel's resignation.

The resulting clash got some fuel that was unexpected by both sides. C. R. MacBride, of Robert Heller & Associates, Cleveland management consulting firm that had been examining Loew's for two months, made a report.

He recommended, orally: Vogel's dismissal, election of Briskin as president and L. B. Mayer as board chairman, replacement of several other officers, and the auditors and attorneys.

- **Flip-Flop**—The Heller organization later pulled a dramatic—and still unexplained—flip-flop. On July 25, it put MacBride's recommendations in writing. On July 26, in two letters to the board, the firm did a direct about face; it recommended that Vogel remain as president, with full authority to carry out his program. The letters added that the only reason for suggesting Vogel's leaving was because the conflict on the board made it impossible to do his job.

- **Resignations**—At the July 12 meeting, Vogel refused to resign out of hand, and a committee was named to study the Heller oral report. With the dirt obviously about to start flying, four directors resigned. Two of them—Frank Pace, president of General Dynamics, and George A. Brownell, New York lawyer—had been on the original Vogel side, and one—Fred F. Florence, of the Republic National Bank of Dallas—on the Tomlinson side. The fourth, Ogden R. Reid, president and editor of



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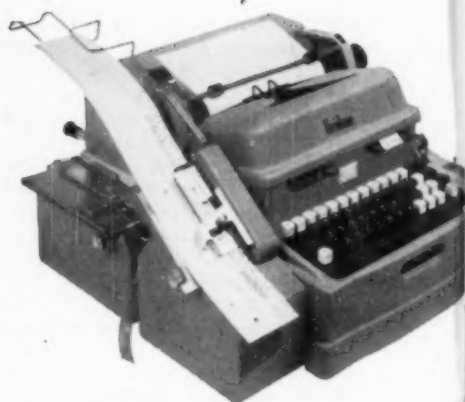


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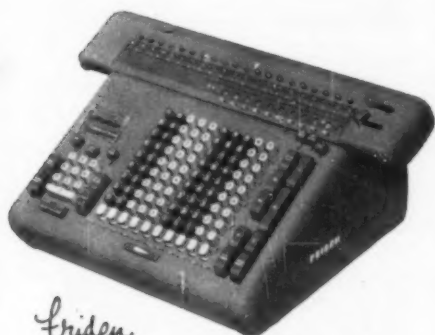


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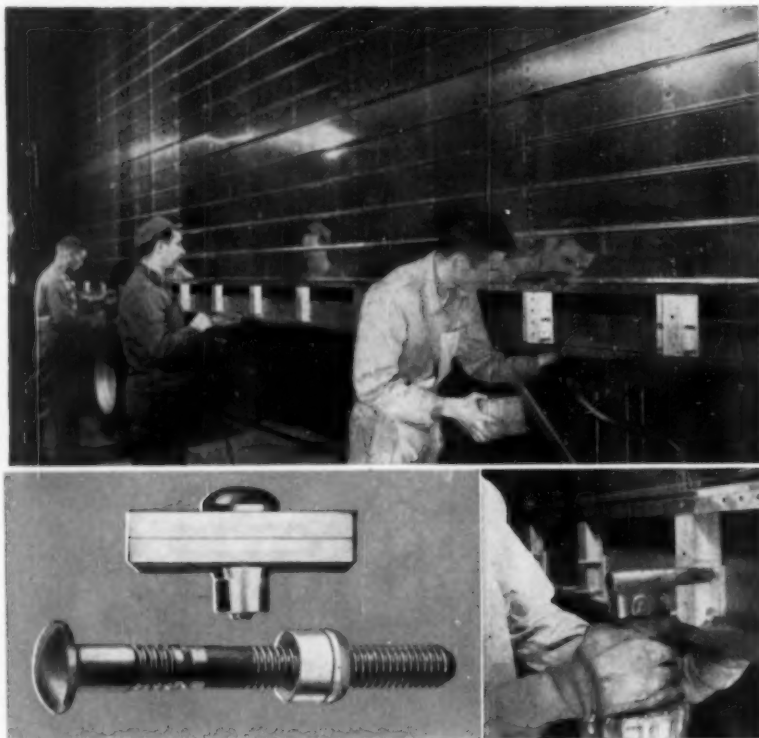
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Rugged, high-payload Volume ★ Vans are built using Townsend lockbolts† at critical points to provide the utmost strength. "Fruehauf uses lockbolts because they result in a uniform, high-strength, vibration-proof joint without need of skilled operators," says George Chieger, Executive Engineer.

Townsend lockbolts are easy to apply. The gun engages the pull grooves of the lockbolt. As the trigger is depressed, the work is drawn together with a high clinching action and the collar is swaged into the locking grooves of the pin, forming a permanent lock. The lockbolt pintail then is broken off at the breakneck groove, and ejected from the gun automatically. The entire

operation is fast, and requires no special training or skill.

Lockbolts also have advantages in service work, says H. J. Biers, Fruehauf General Service Manager, "When field repairs are required that necessitate removal of lockbolts, they always are replaced with comparable lockbolts. If a better fastener were available, Fruehauf would use it."

For a complete explanation of how Townsend lockbolts can help you to obtain stronger, longer-lasting joints, allow us to send one of our representatives. He can give you a complete demonstration right at your desk. Townsend Company, P. O. Box 237-A, New Brighton, Pa.

(Licensed under Huck patents: RE 22,792; 2,114,493; 2,527,307; 2,531,048; 2,531,049 and 2,754,703)

THE FASTENING AUTHORITY

# Townsend

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NEW BRIGHTON, PENNSYLVANIA

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the New York Herald Tribune, was the board's "independent."

By then, all board action was effectively stopped, and the battleground shifted to the courts and the stockholders. The Vogel side, realizing that its remaining four directors could be outvoted by Tomlinson's five, took refuge in the "quorum of seven" requirement—if they stayed away from board meetings, the situation could presumably be held in abeyance.

Vogel then called the Sept. 12 stockholders meeting, and the Tomlinson side retaliated by holding its "rump" directors meeting to "elect" L. B. Mayer and Briskin—at the same time challenging the need for a stockholders meeting and Vogel's right to call it.

• **What's Ahead**—The New York injunction now bars Tomlinson interference with the Sept. 12 meeting. Unless the Tomlinson side finds other legal weapons, a proxy fight<sup>1</sup> is in the offing, no matter how the Delaware court decides on the "election" of L. B. Mayer and Briskin as directors.

The Vogel side has already got the jump with proxy broadsides and a slate of 12 new nominees to add to its current four directors. The new slate includes four other Loew's officials and, for public appeal, the following: actress Helen Hayes, publisher Bennett Cerf, Gen. Omar N. Bradley, former Atty. Gen. J. Howard McGrath, Francis W. Hatch, vice-president of Batten, Barton, Durstine & Osborn; Ellsworth C. Alvord, Washington lawyer; Charles H. Silver, head of New York's board of education; and Charles Braunstein, diamond importer.

Where the banking groups will throw their weight—and whether they would be a major factor either way—is still uncertain. Currently they deny all interest. It's known that they are not overly enamored of the Tomlinson-Mayer-Meyer trio—but are also very angry at Vogel at the moment.

• **Bets**—Some sources are willing to bet that even with the bankers solidly behind Tomlinson, Vogel would win. They base this on three premises:

• That the entertainment world, believed to hold considerable Loew's stock, is solidly behind Vogel.

• That the Tomlinson group's emphasis on legal moves, rather than the stockholders, will alienate many.

• That the full resources of a big movie company could swamp even an opposition with a positive program.

• **New Entry?**—Meanwhile, there's a vague possibility the fireworks may not happen. At least one brand-new syndicate—of non-movie people—made cash offers last week, at substantially above current market prices, to both Tomlinson and the banking groups for their stock. At midweek, discussions had not been firmly terminated either way. **END**

## A 3¢ investment taught me how to eliminate some of the most serious modern business losses



I mailed in a coupon like the one below and learned how Airkem has helped companies avoid business losses caused by odors. In fact, shortly after learning about Airkem, I was able to reduce a potential major fire loss to a relatively minor amount.



### OUR SMOKE LOSS

We had a fire in our department store and were faced with an inventory loss of \$160,000 from smoke contamination. We were also faced with a business interruption loss of \$40,000. By arranging to have the Airkem Smoke Odor Service remove the odors, we did not have to shut our doors, nor lose the valuable inventory during a busy season. The cost of the smoke removal was only \$1,500.

The Airkem experts can successfully remove virtually any type of contaminating odor from anything of value in business, whether fabrics, paper, packaged products or raw materials.

Similar odor removal work is performed for transportation firms and warehousemen to prevent the loss of valuable cargo space. Other firms have been able to stop serious personnel relations problems by consulting with

Airkem experts. Below are only a few examples of the many ways in which odor control can be used to protect your business.



### HAPPIER SECRETARIES

Indoor air often picks up the strangest odors. Damp clothing, lubricating oil, cigar and cigarette smoke make air seem stale, or even worse, create an atmosphere that makes employees tense and unproductive. Airkem experts have found garlic odors in recording studios, fried fish smells in law offices and even odors developed by air conditioners themselves in fashionable dress salons. All these conditions have been remedied by Airkem equipment. Perhaps your office would profit from the fresh-smelling air provided by Airkem odor control.



### SCHOOLS AND HOSPITALS PLEASE NOTE

Odors are often regarded as a normal condition in hospitals. Cleaning agents, laboratory operations and certain diseases combine to create the "typical hospital smell." Many hospitals have found this odor condition unnecessary and avoid it by using Airkem odor control and Airkem sanitizing products.

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odors" and many other troublesome odor sources which, with Airkem techniques, need no longer be a problem.



### CLEAN UP QUICKER

Restaurants, hotels, motels and other public buildings find that using Airkem odor control and cleaning products gives them faster, more economical cleaning. Even the most obstinate odors can be controlled. Airkem cleaning products keep the cost of complete cleaning at a minimum while producing the most thorough results.

You should have this information on hand to avoid the hidden losses created by odor. Invest a three-cent stamp and prevent the problems odors can create. Mail in the coupon today.



Specialists in Odor Control

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Please send me Airkem literature on the following:

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☐ Schools ☐ Offices ☐ Warehousing  
and Shipping ☐ Cleaning Products

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Company \_\_\_\_\_

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City \_\_\_\_\_ Zone \_\_\_\_\_ State \_\_\_\_\_ BW-87

# In Management

• • •

## Merger Proceedings at Superior Tool Brought to a Halt by Court Order

The merger scuffle at Superior Tool & Die Co., Detroit, has been called to a halt so that a Wayne County Court of Chancery can have a look at what has been going on, but in a proxy count management won out against insurgents by a 2 to 1 margin.

At last week's annual meeting where the acquisition of Bethlehem Foundry & Machine Co. by Superior was to have been ratified, a stockholder brought proceedings to a halt with a court injunction. The court order calls for an investigation of:

- The acquisition of 70,000 shares and working control of Superior by Thompson-Starrett Co. from Canadian interests.

- A subsequent agreement by Superior to buy 71% of Bethlehem Foundry, which is owned by Lehigh Bethlehem Corp., a concern largely owned by Thompson-Starrett and Superior officers or their relatives.

Stockholder insurgents want to stop the proposed merger. They point out that J. M. Doroshaw, chairman of Superior and chairman of the Thompson-Starrett executive committee, is also president of Lehigh Bethlehem (his wife owns 51% of the stock). In addition, C. F. Simonelli, chairman of Superior's executive committee, owns another 25% of Lehigh Bethlehem.

Besides \$1.47-million in cash, the merger deal involves issuance of 50,000 Superior shares to Lehigh Bethlehem stockholders.

After stopping the annual meeting, the court permitted proxies to be accepted and counted but warns that it may void them if its investigation warrants such action.

• • •

## A. V. Roe of Canada Woos Dominion Steel & Coal Corp.

Last week A. V. Roe, Ltd.—bidding fair to become Canada's most diversified, if not biggest, concern—moved to take over Dominion Steel & Coal Corp., Ltd., the country's third largest steel producer. It offered Dosco stockholders a cash and exchange deal. To buy up all of Dosco's outstanding common stock, Avro would have to lay out about \$3.2-million in cash and about 4-million shares of its stock.

If the merger goes through, Avro will be able to boast of assets of close to \$260-million. Acquisition of Dosco will put Avro into the business of running shipyards, electric power stations, a private rail line, extensive coal mines, and a fully integrated steel company. Presently, Avro operates an aerial survey company, and produces aircraft, missiles, jet engines, steel and titanium forgings and castings, railroad rolling stock, trucks, and buses.

Avro's latest move emphasizes how its parent, the

Hawker Siddeley Group, Ltd., of England is fast shifting capital to its booming Canadian empire now that the English military aircraft business is facing sharp government cutbacks.

Avro's present merger bid marks the company's second step toward acquiring steel sources. Last April it bought 11% of the shares of Algoma Steel Corp., Canada's second largest steel mill (BW—May25'57,p131).

• • •

## Swan-Finch Oil Is Placed In Temporary Receivership

Swan-Finch Oil Corp. went into receivership last week, with Thomas Shanahan, president of the Federation Bank & Trust Co. of New York appointed as temporary receiver by the New York State Supreme Court.

Swan-Finch has been in trouble with the Securities & Exchange Commission since last spring over sales of unregistered stock. It has also been in a tangle with groups of rebellious stockholders and with its one-time president, Ralph Damp, all of whom wanted a look at the company's books. In fact Damp was bounced out of his job as president, and an unsuccessful attempt was made to oust him as a director over this issue (BW—May4'57,p177).

Now, on the grounds that the company has not satisfactorily answered "serious charges of waste, dissipation and dilution of its corporate assets leading to imminent, threatened insolvency," the court is opening the whole company to inspection via receivership.

• • •

## Servel Is Ready to Forsake the Old And Look for Greener Pastures

Servel, Inc., is getting set to pull out of the gas refrigerator and air-conditioning business and move into some other field.

The Evansville Ind. company plans to sell its All-Year Air Conditioning Div. to Arkansas Louisiana Gas Co. for \$4-million, is dickering with potential buyers of its home appliance business, and seeks stockholder permission to sell it off, too.

Servel has lost money since 1953. It has been faced with tough competition in the appliance business, steady encroachment on the gas appliance market by electric products, and wholesale cuts in defense subcontracts, which had averaged close to one half of its dollar volume.

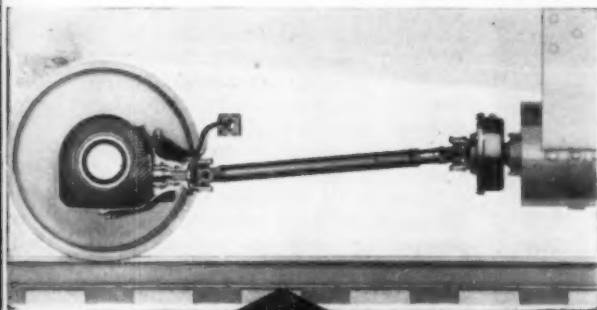
Last year Servel cut back its operations, stopped making electric refrigerators, and air conditioners. Then it sold its Commercial Refrigeration Div. and some buildings for \$3-million. Now, with the rest of its business already on the block or about to be placed there, with a \$17-million tax loss to its credit, and with some cash in its pockets, Servel is shopping around "... for one or two businesses with proven earnings capacity."

This won't be the first time Servel has made a big switch. Starting life in 1902 as a buggy maker, the company was forced into other fields by the advent of the auto and eventually ended up in gas refrigeration.





*Man...this is really living!*



**DANA PRODUCTS Serve Many Fields:**

**AUTOMOTIVE:** Transmissions, Universal Joints, Propeller Shafts, Axles, Power-Lok Differentials, Torque Converters, Gear Boxes, Power Take-Offs, Power Take-Off Joints, Clutches, Frames, Forgings, Stampings.

**INDUSTRIAL VEHICLES AND EQUIPMENT:** Transmissions, Universal Joints, Propeller Shafts, Axles, Gear Boxes, Clutches, Forgings, Stampings.

**AVIATION:** Universal Joints, Propeller Shafts, Axles, Gears, Forgings, Stampings.

**RAILROAD:** Transmissions, Universal Joints, Propeller Shafts, Generator Drives, Rail Car Drives, Pressed Steel Parts, Traction Motor Drives, Forgings, Stampings.

**AGRICULTURE:** Universal Joints, Propeller Shafts, Axles, Power Take-Offs, Power Take-Off Joints, Clutches, Forgings, Stampings.

**MARINE:** Universal Joints, Propeller Shafts, Gear Boxes, Forgings, Stampings.

The superlative comforts and safety of the modern train are due in large part to a plentiful supply of electricity . . .

*dependably delivered by Spicer Railway Generator Drives, another famous product of Dana Corporation.*

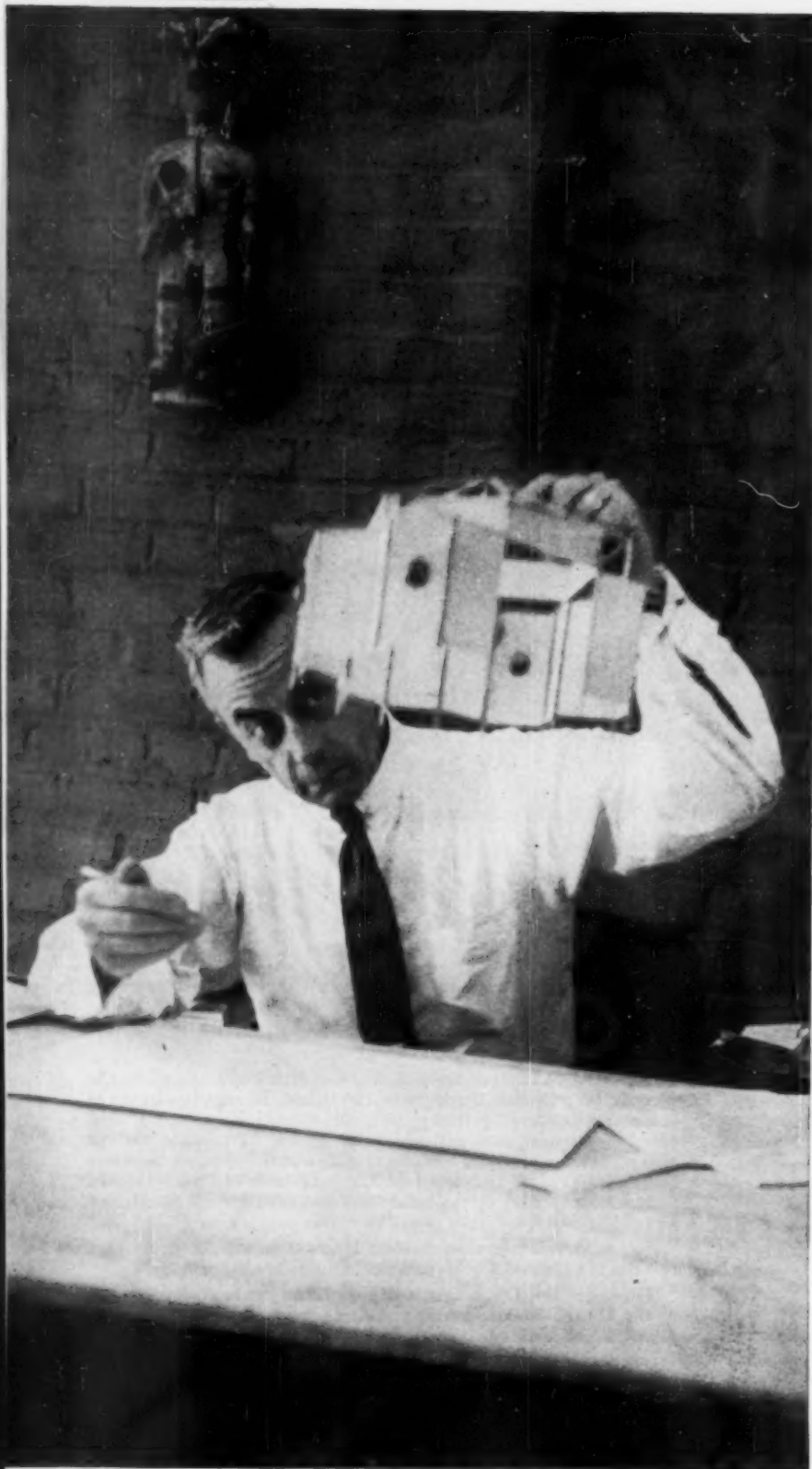
More than 13,000 of these Spicer Generator Drives are in use on over 80 railroads throughout the world, to supply electrical power for lighting, refrigeration, air conditioning, radio, and other necessities and conveniences. Spicer Generator Drives also power 2-way radio which permits instant contact between railroad operating personnel within a 25-mile radius. Caboose, baggage, mail and refrigerator cars are also served by Spicer Generator Drives.

Spicer Drives are also used in large numbers for propelling rail diesel cars and the new rapid transit cars.

There are ten Dana Corporation plants strategically located in the United States, manufacturing a wide range of products essential to industry.

**DANA CORPORATION • TOLEDO 1, OHIO**

*Many of these products manufactured in Canada by Hayes Steel Products Limited, Merriton, Ontario*



TOM LEE, looking at model of central display, is architect of the building. Backed by an advisory council, he will also pass on all exhibits, to enforce high standards.

## New Way

New York center will be first public place to see decorator-grade home furnishings. But customers will still have to buy from decorators.

ONE BARRIER between the maker of high-fashion home furnishings and hoi polloi householders will break down if the Design Center for Interiors sketched at right is successful when it opens in New York next February.

Under the present distribution system, a prospective buyer of top design in home decorating can't even see floor samples except through an interior decorator who refers him or her to a manufacturer's showroom. And there's no public display where the products of various manufacturers are brought together for comparison.

This much the Design Center proposes to do: to assemble a year-round exhibition of decorator-grade design in furniture, lamps, wall and floor coverings, fabrics, and accessories. The public will be welcome to browse, to find out who makes what, how much it will cost at retail, where it can be bought.

But the center still will respect the solidest barrier of all between manufacturer and consumer: It won't sell anything. If a visitor wants to buy, he will be referred to a designer, decorator, or a manufacturer's showroom.

### I. The Decorator's Role

Many people in the trade deny the existence of any barrier to shopping for high design in home furnishings, but in the next breath they will defend the existing system. Showrooms maintained by the manufacturers of fine furnishings make it a point of honor to protect the interests of decorators, who serve as the public's guide to good taste.

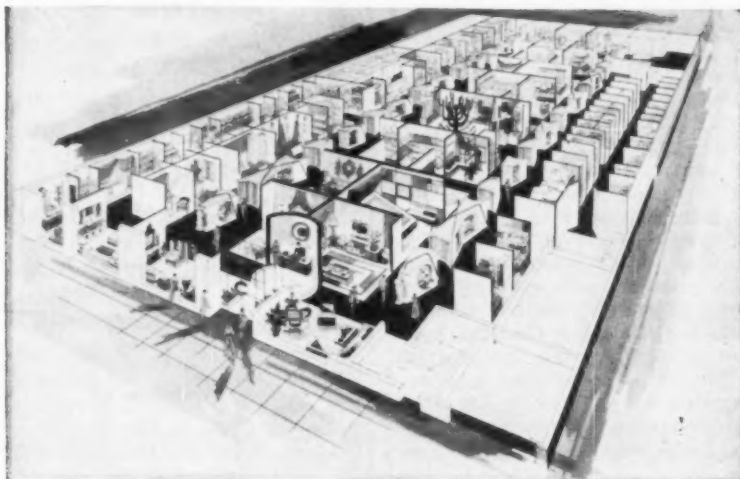
There isn't a reputable showroom in the country, by all accounts, where a shopper can walk in without being questioned about who sent him or her. A few rooms will let a casual shopper look around if he explains he is still trying to get ideas about decorating. But no reputable showroom will sell directly to the consumer.

If a customer comes unaccompanied by a decorator or without a decorator's card, the showroom staff notes this fact and makes sure none of the company's products get into such a customer's hands until he has a decorator to buy from.

• **Distribution Channels**—Some quality designs in home furnishings today are

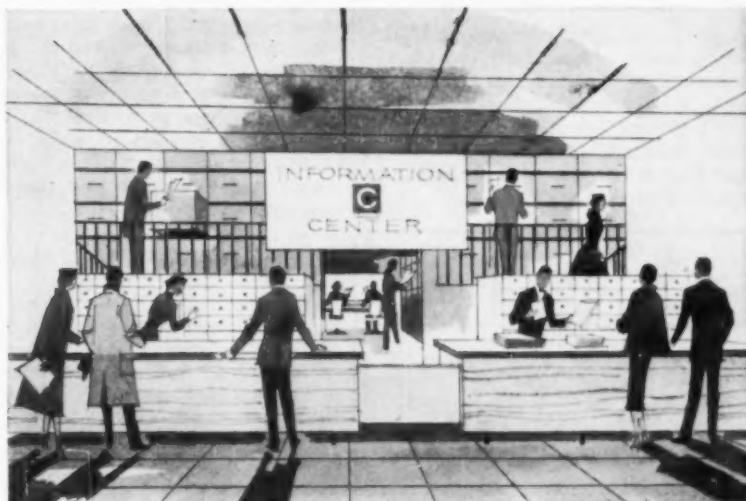
# to Display Fine Furniture

THE CENTER is planned for New York's east 50s, where decorators and showrooms tend increasingly to move.



TWO FLOORS (ground floor sketched at left) will provide 400 exhibit spaces, to rent at anywhere from \$900 to \$10,000 a year.

STAFF OF CENTER will dig out catalogs and brochures for visitors. Anyone interested in buying, though, will be sent to decorators.



good  
light"



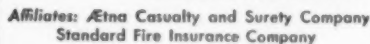
A replica of your product or trademark, inside the transparent plastic reservoir, will make new friends for you . . . more sales! Lightweight Vu-Lighters let you see *when* to refill *before* they go dry! Colorful bands and chrome trim. \$3.95 each, retail. Fed. Tax incl.



## VU-LIGHTER

56 *Marketing*

Some mistrust the setup as potentially too promotional and commercial. Obviously, the owner—Norman Gins-





## The man who reads dictionaries



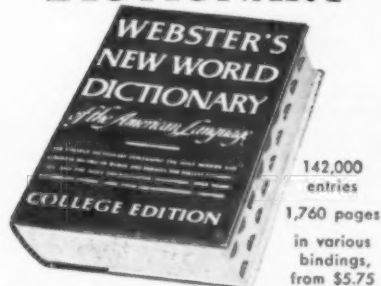
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**JACQUES BARZUN,**  
author and educator, says:

"I HAVE found *Webster's New World Dictionary*, College Edition, invariably instructive, full, and extremely easy to use. The definitions are not only terse and clear but also elegant—a pleasure to read, in sharp contrast with the clumsiness of certain recent lexicographers. I am particularly struck by the quality of the etymologies and the help given by most of the illustrations and all of the tables. In short, this is the desk-size dictionary I have been waiting for."

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## WEBSTER'S NEW WORLD DICTIONARY



THE WORLD PUBLISHING COMPANY

berg, realtor and president of All States Holding Corp.—will need to rent his space (at from \$900 to \$10,000 a year, depending on size and location). Without high standards of selection, the show could deteriorate. However, Tom Lee, designer (picture, page 54), is in charge of controlling the caliber of the exhibits as well as designing the building and the display space.

Some decorators are also suspicious of such a center as a step to bypass them. Even the manufacturers' showrooms have not always escaped this criticism, despite all their safeguards to protect the decorator-retailer. A few of the most prominent manufacturers argue, too, that there's no real need for a central showroom, and the smaller companies sigh at the thought of spending money for another display besides their own showrooms.

• **Based on Experience**—Most critics, however, say that such a center could be a fine thing if it is run properly.

Ginsberg is already in the showroom business in a smaller way. He operates a Decorators' Mart containing 20 showroom tenants—manufacturers and wholesalers—who sell chiefly through decorators. So he knows something of the showroom's problems. The Design Center site is between 53rd and 54th Streets, near the East River—an area of Manhattan that's gaining decorators and showrooms as office buildings displace them from farther west.

Inspiration for the center came from the Architects' Samples Show in New York, the London Design Centre for British Industries, Copenhagen's Permanent Exhibition of Danish Arts & Crafts. Part of the New York center's program will be to exchange exhibits with foreign shows.

• **Riding Herd**—To back Tom Lee in controlling the quality of exhibits—and to look out for the decorators' interests—the center has an advisory council headed by John Gerald, interior decorator and president of Hammacher, Schlemmer & Co. (BW—Apr. 28 '56, p135). This council will supervise the main display, will advise on policy, will pass on prospective tenants.

Other members of the council are George Nelson, designer; Dorothy Liebes, fabric designer; Meyric Rogers, curator of decorative and industrial arts for the Art Institute of Chicago; Robert Carson, architect; Pierre Bedard, president of Parsons School of Design, and Vincent O'Shea, deputy commissioner of the Dept. of Commerce & Public Events for the City of New York.

### III. The New Market

These backers are convinced that the market is ripe for a furniture fashion center. "There's a crying need," says John Gerald, "to show the consumer

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Offices, factories, retail outlets, warehouses—simply or beautifully architect-styled—build it any way with the Butler Building System. Get good buildings for less.

## Yes, if it's a Butler pre-engineered building

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These three keys to healthful working conditions are a bonus you'll find built into Butler pre-engineered metal buildings. Low-cost plastic Lite\*Panels in the roof flood the interior with natural, non-glare light, eliminating eye fatiguing contrasts overhead. The gable roof makes a naturally self-ventilating building . . . no trapped foul-air strata . . . no dead air pockets. And the Butler method of vapor-sealed wall insulation reduces temperature contrasts from wall to room—contrasts that produce damp, chilly floor drafts. These are only a few of the advantages you get in a Butler—the lowest cost way to build well. Call your nearest Butler Builder for all the facts. He's listed in the Yellow Pages under "Buildings" or "Steel Buildings." Or write direct.



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what is good, what is new, and where to get it."

"The consumer is hungry for knowledge of the best," echoes William Goldhill, president of Brunovan, Inc., furniture manufacturer and importer, and also head of the Decorative Mfrs. Assn.

As an example of this hunger, Norman Ginsberg cites a study of attendance at the Architects' Samples show. Out of 189,000 visitors, 47% were there merely as consumers, not as architects or engineers. It's this kind of general public interest that is reforming the whole field of home furnishings.

- **Rise of Decorators**—Forty years ago, designer George Nelson points out, a top-rank furniture company sold to a limited clientele through a few fashionable stores and a few big decorating firms that catered to the very rich. As demand for higher fashion spread, especially since the war, two changes took place:

- Manufacturers and designers suddenly acquired reputations in their own right, and customers accepted designs that they would have rejected even 10 years earlier.

- Many more decorators took the place of the few large ones that used to furnish whole mansions at a crack. The American Institute of Decorators estimates there are about 6,000 "qualified" decorators today, maybe 15,000 if you count in everyone who calls himself a decorator. Interiors magazine for decorators, designers, and architects has grown from a 6,000 circulation in 1941 to 25,000 now.

- **And Showrooms**—No one knows how much of the \$9-billion total of home furnishing sales passes through the hands of decorators. It's probably a small but growing percentage. The grade of merchandise that goes through decorators is itself only a small fraction of the total.

Factory showrooms were one step in making the manufacturer's products more accessible to the consumer than was possible through the exclusive decorator shops of generations ago. In the 1930s, they became "respectable," as Gilbert Thurston of Dunbar Furniture Co. phrases it. Some companies also added new, lower-priced lines to sell through department stores.

The New York center may be the next step in enlisting a still wider clientele, in educating more people to a taste for the best. It could meet the challenge of what Edward Wormley calls "the new timid market that tends to buy the same lamp every time."

At first, it looks as if some of the top showroom concerns may stay out of the center. "But if it becomes important enough," says Gerald, "the top ones will fall in line." **END**



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CSM 2 tool steel is electric melted to a high degree of uniformity in composition and structure. It has superior machining and polishing characteristics. And CSM 2 is pre-hardened—it eliminates time, cost and risks of heat treatment. Choose it for plastic molds, zinc die casting dies, and holder blocks.

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lets, Electrodes) . . . Max-el,  
Hy-Tuf, AISI Alloy . . . Onyx  
Spring, Hollow Drill Steel  
and other special purpose  
steels.

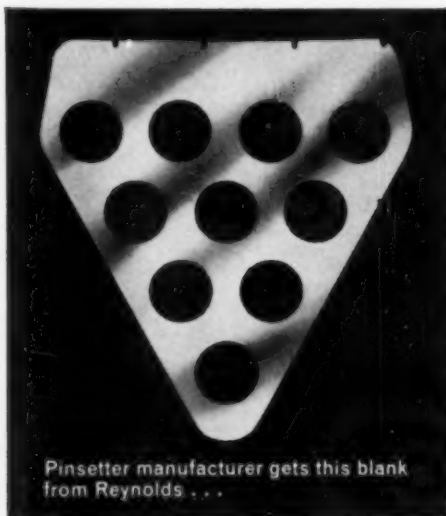
# CRUCIBLE

## WAREHOUSE SERVICE

## Crucible Steel Company of America

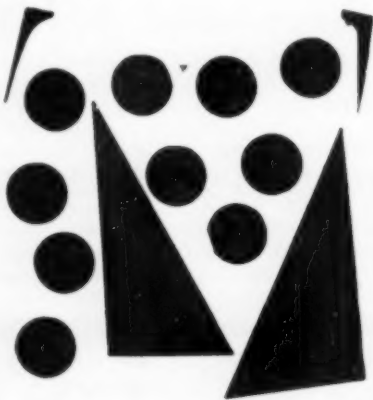
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Providence • Rockford • San Francisco • Seattle • Springfield, Mass. • St. Louis • St. Paul • Syracuse • Toronto, Ont.

# Don't pay



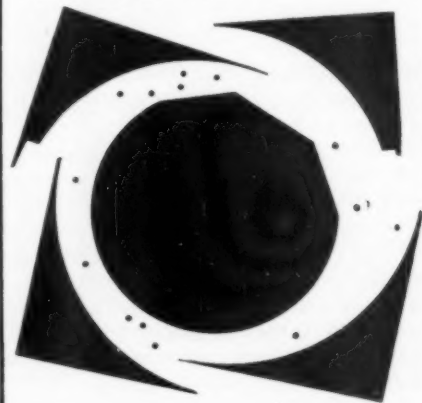
Pinsetter manufacturer gets this blank from Reynolds . . .

. . . and doesn't have to handle this scrap



Aircraft manufacturer uses these Reynolds blanks for fuel tank parts . . .

. . . and eliminates stamping and punching operations

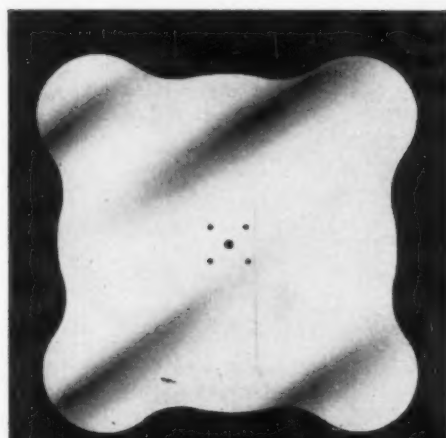


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2085 South Ninth Street, Louisville 1, Kentucky

**DRAWING • RIVETING • WELDING • BRAZING • FINISHING**

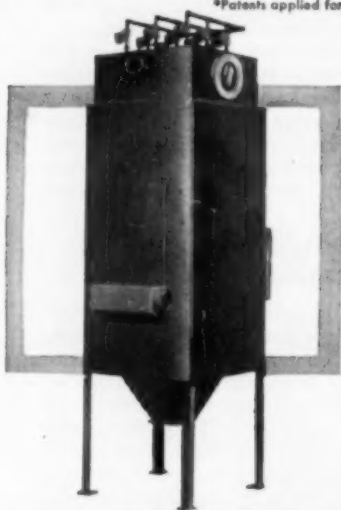
See "CIRCUS BOY", Sundays, NBC-TV. Watch for Reynolds on "DISNEYLAND", ABC-TV.



# ANNOUNCING THE ALL-NEW **JET-ACTION** **MIKRO- PULSAIRE\*** **COLLECTOR!**

Introducing a radically new method of continuous jet-action filter cleaning, the MIKRO-PULSAIRE is the first collector unit to offer highest efficiency and true economy in operation! With no internal moving parts, the MIKRO-PULSAIRE Collector is a completely simplified unit, yet capable of cleaning and filtering a dust-laden air stream at constant pressure and greatest volume efficiencies! All the mechanical cleaning mechanisms with their gears, cams, chains, etc., representing the most costly factors in collector maintenance, are gone! For full information, available sizes, test results, etc., you are invited to write for Bulletin 52A. In addition, we will gladly offer recommendations regarding your specific requirements.

\*Patents applied for



**MODEL 9-4 MIKRO-PULSAIRE COLLECTOR** has 42 sq. ft. of filter area, and operates at approximately the same filter ratios as conventional fabric type dust collectors. Handles 400-600 cfm of dust-laden air. MODEL 48-6 has 340 sq. ft. of filter area for capacities from 2000-5000 cfm. Other units available for intermediate and larger capacities.

## Mikro-D

**PULVERIZING MACHINERY  
DIVISION**

Metalite Disintegrating Company, Inc.  
37 Chatham Rd. Summit, New Jersey



CHAMPION of better enforcement of federal rules on advertising claims is Rep. John A. Blatnik, whose inquiry is spreading from filter tips to reducing and tranquilizing pills.

## Glare of House Probe Hits Admen's Claims

For advertisers, the results are a bad press for their statements—and perhaps new pressure from federal agencies.

THE SAME House subcommittee that recently attacked filter cigarette advertising with so much gusto (and with the accompaniment of so many headlines) is in action again on two fronts.

Under Chmn. John A. Blatnik (D-Minn.) (picture, above), the Government Operations Subcommittee on Legal and Monetary Operations has taken out after weight-reducing compounds and tranquilizers. Both products have been commanding increasing consumer attention through advertising.

It's doubtful whether the committee will take up other products. Neverthe-

less, the running investigation holds a double impact for manufacturers and their advertising agencies:

- It casts unfavorable light on the always sensitive business of making claims for products—in this case, directly affecting the health of the consumer.

- It may very well put Congressional heat on federal agencies such as the Federal Trade Commission and the Food & Drug Administration. This, in turn, would be reflected on Madison Avenue by more vigorous government agency activities.

- **Jurisdiction**—Blatnik's committee operates under a limited franchise. It can only investigate; it considers no legislation, appropriates no money. From the "legal operations" portion of its cumbersome name, it derives authority to determine whether the regulatory

agencies are adequately looking after the public welfare. (Before he ventured into cigarettes, Blatnik was probing railroad accounting techniques required by the Interstate Commerce Commission.)

In recent weeks, the Blatnik group has probably occupied more newspaper space than any other Congressional committee outside the labor-management hearings. The publicity alone is enough to keep advertising men attentive to the committee's direction. Advertising Age, a weekly publication of the trade, has cautioned its readers: "So we suggest that all and sundry follow the proceedings with care and diligence. Don't shrug your shoulders and say, 'I'm glad it's the FTC and the tobacco boys, and not me.'"

• **Health and Fashion**—Blatnik first hit the headline jackpot three weeks ago when his subcommittee became a forum for arguments on whether cigarette smoking encourages lung cancer (BW—Jul. 27 '57, p. 39). Last week the group went after weight reducers, and the publicity payoff was still good.

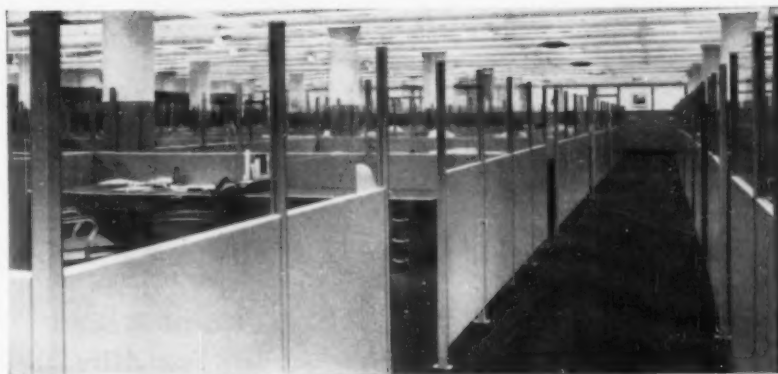
Into the hearing record went attack after attack on the value of such well-advertised items as Regimen, RDX, Ayds, All-In-One, and Slim Mint chewing gum. A steady procession of witnesses agreed that, at best, some compounds may suppress appetite—in some cases—but that the performance falls short of many advertising claims. Suggested Rep. Porter Hardy (D-Va.), a subcommittee member: The manufacturers of these compounds are "on the outer fringes of ethics." "Their halos have slipped," said Federal Trade Commissioner Sigurd Anderson. Blatnik concluded that most of the weight-reducing preparations "apparently are worthless although they're advertised with extravagant claims."

Blatnik thinks that slick advertising is helping promoters to cash in on (1) medical warnings about the dangers to health from excess weight and (2) the desirability of a svelte figure to be in high fashion.

Actually, Blatnik's argument with Madison Avenue is only indirect. His basic quarrel is with federal regulatory agencies such as FTC for doing what he terms an ineffective job of policing ad claims. "We can't legally get into advertising operations, and haven't even considered it," Blatnik says. "Our interest is . . . upgrading the FTC, for instance, to enforce ethical practices."

• **Proceed With Care**—Just how much Blatnik can accomplish by putting the FTC or Food & Drug on the pan for stiffer enforcement is questionable.

Federal Trade Commissioner Anderson and Food & Drug Commissioner George P. Larrick testified that the government must move with care in this area because of landmark court decisions requiring:



## AT EASTMAN KODAK PARK WORKS

*Hauserman*  
**DIVIDER-WALL**  
multiplies office space  
and efficiency



More than 100 persons work side-by-side, yet enjoy a practical kind of privacy that boosts efficiency and morale in their busy industrial engineering division at the Kodak Park Works in Rochester, New York. Working in individual office units created with HAUSERMAN Divider-Wall, Kodak employees are shielded from passing distractions and the noise of business machines in neighboring offices.

These low-railing partitions topped with clear glass are arranged to subdivide open general-office areas most efficiently. However, changes in departments or in routines at Kodak may call for a different floor plan. With easy-to-move Divider-Wall, a new arrangement of offices can be accomplished overnight without costly and messy wall demolition and rebuilding. Maintenance is easy, too. Divider-Wall never requires repainting; periodic soap-and-water washing keeps the lifetime, baked-enamel finish clean and bright.

For more about Divider-Wall and how it can help you do business more efficiently, consult the Yellow Pages (under PARTITIONS) and call your local HAUSERMAN representative.

## MOVABLE HAUSERMAN INTERIORS

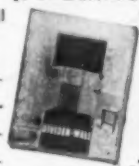
National Lifetime Service . . . An Exclusive Hauserman Dividend

THE E. F. HAUSERMAN COMPANY  
7364 Grant Avenue, Cleveland 5, Ohio  
Hauserman of Canada Ltd., Toronto, Ontario

Please send your free full-color Divider-Wall booklet to:

Name \_\_\_\_\_  
Company \_\_\_\_\_ Title \_\_\_\_\_  
Street \_\_\_\_\_  
City \_\_\_\_\_ Zone \_\_\_\_\_ State \_\_\_\_\_

*Free Booklet*





## Harnischfeger Provides Hand-Picked Tool Kits

Each Snap-on tool kit Harnischfeger Corporation includes with a new excavator is specifically designed for that particular model. First, R. J. Ripple, Snap-on sales engineer, suggested a tool analysis. Next he brought in a wide selection of Snap-on open-end wrenches, sockets, Torqometers and other tools.

Then, right from the start of an excavator assembly, this Snap-on specialist, together with Harnischfeger erection and engineering people, selected by actual trial the proper tools to go with the machine.

These tool sets improve maintenance . . . permit factory engineers to carry a minimum of extra tools for field erection of excavators.

Tools for original equipment, production, maintenance, field service—whatever your tool problem, consult a Snap-on specialist. Branch offices and warehouses are located in key cities throughout the U.S. and Canada.

Above Snap-on set included with Harnischfeger Model 1055A excavator. Other individual sets are included with eight additional models.

**SNAP-ON TOOLS CORPORATION**  
8100-H 28th Avenue Kenosha, Wisconsin



**"... 'this kind of publicity makes things seem worse than they really are' . . ."**

STORY starts on p. 62

- Clinical proof to sustain charges of false advertising.

- Solid evidence—in effect, consumer surveys—to back up charges that statements on labels have misled a buyer.

The agencies don't have funds, manpower, or, for that matter, space to conduct such an operation. Anderson pointed out that Congress allowed FTC only a \$75,000 increase in appropriations this year—and that was under a mandate to spend it on greater anti-merger efforts.

Anderson cited one example of the kind of regulatory problem involved. The makers of a reducing compound stopped selling their tablets through the mails this summer after the Post Office Dept. issued a fraud order. But then it launched a promotional campaign for drug store sales.

FTC, to avoid duplicating efforts, left the manufacturer alone while the Post Office was making its case. But now that the product is outside Post Office's jurisdiction, his agency's investigators are studying advertising claims made for the pill. However, the most FTC can do is to force the manufacturer to eliminate any false or misleading advertising.

- **Vindication**—As far as Blatnik is concerned, the testimony before his subcommittee has tended to support his thesis that federal agencies are "dormant" just when they should be busiest. This week, a spokesman for the Assn. of Better Business Bureaus—which keeps tab on advertising claims and practices around the country—said his organization is ready to cooperate with the Blatnik group. Methods such as used by the committee sometimes lead to necessary corrective action, he agreed, even though "this kind of publicity always makes things seem worse than they really are."

As for the correctives, Blatnik has no clear-cut idea of what he thinks might be necessary. "Possibly more legislative power, more personnel, more funds," he suggests. However, he knows that the subcommittee's main effectiveness will be in what he calls "public education," and in prodding the federal agencies.

As of last week, he had wound up his warnings on filter tips and weight reducers. Still to come, with dates uncertain: all about tranquilizers. It's unlikely that Blatnik will latch onto anything quite so headline-producing as the disclosures on filter-tip cigarettes. Just the same, everyone concerned with advertising ethics—and with what the public thinks about product promotion—is keeping his fingers crossed. **END**



Printing and addressing labels in the same operation

Addressing cartons with a stencil that can be typed or handwritten

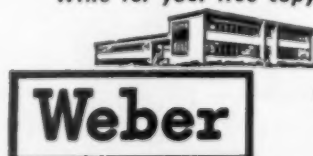
## Shipments go out faster, without errors with modern Weber Marking Systems

Old-fashioned stenciling and labeling systems can seriously delay shipments and waste time and labor. The real key to a smooth rolling shipping operation is a fast, low-cost system for addressing the shipments.

A Weber system—tailored to your particular

order-processing and material handling procedure—will get your shipments addressed faster, with less help and fewer errors. Whether you use labels, tags or stencil direct-to-carton, you'll find a system just right for your operation.

Write for your free copy of our New 16-page systems booklet



**WEBER MARKING SYSTEMS**  
Dept. 15-H  
Division of  
**WEBER ADDRESSING MACHINE CO., INC.**  
Mount Prospect, Ill.

SALES AND SERVICE IN ALL PRINCIPAL CITIES



CREATORS OF SYSTEMS AND EQUIPMENT FOR MULTIPLE ADDRESSING AND MARKING





# DIVERSITY



# CAPACITY



MACHINE TOOLS



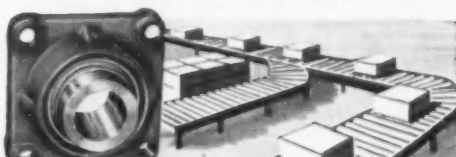
MARINE MOTORS



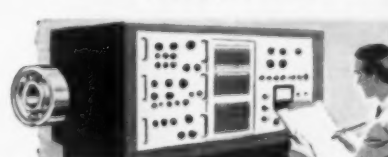
AUTOMOTIVE



AIRCRAFT



MATERIALS HANDLING



INSTRUMENTS

# FAFNIR

YOU CAN ORDER ball bearings from the widest variety of types and sizes, in large quantities, and be sure Fafnir has the right bearing to best fit your needs. Fafnir is the largest independent manufacturer of precision ball bearings in

the U. S. A., consuming nearly 50,000,000 pounds of special bearing steel yearly. Twenty-three branch offices, eighteen warehouses . . . worth bearing in mind. The Fafnir Bearing Company, New Britain, Conn.



MOST COMPLETE LINE IN AMERICA



LESTER PANDO, Real Estate Manager, Pacific Mutual Life Insurance Company, Los Angeles, California, says:

## "We built this huge warehouse on Penta-treated poles for only \$2.00 per square foot"

"We recently built this 280' x 281' pole-type warehouse as a long-term investment.

"The cost, including aluminum roofing and siding, asphalt-concrete flooring, lighting and an automatic fire sprinkling system, was about \$2.00 per square foot. This is substantially less than the same building would have cost if conventional construction methods were employed.

"Our contractor erected the entire structure in just five

weeks after the floor was finished. The building is now leased to a food company and it holds over 750,000 cases of canned goods."

Pole buildings are practical and long-lasting when Penta\*-treated poles are used. Penta keeps out rot and termites, leaves wood clean and easy to handle. For additional information and photos of pole buildings, return the coupon to THE DOW CHEMICAL COMPANY, Midland, Michigan.

\*FENTACHlorophenol

THE DOW CHEMICAL COMPANY  
Dept. PE-509H-1, Midland, Michigan

- ☐ Send me photographs and cost figures on 20 different types of pole buildings.
- ☐ Send me booklet—"Materials Handling and Industrial Warehousing".
- ☐ Send me information on low-cost PENTA-treated pole buildings for this use.

NAME \_\_\_\_\_

FIRM \_\_\_\_\_ TITLE \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_

YOU CAN DEPEND ON



# In Marketing

• • •

## Oil Trade's Dealer Relations Get

### Mild Pat on Back From Earlier Critic

The petroleum industry—under heavy Congressional fire lately (BW—Jun. 17, 1957, p. 96)—comes out pretty well in a report on gasoline marketing released last week. The House Small Business subcommittee, under Rep. James Roosevelt (D-Calif.), which a couple of years ago strongly criticized the dealer relations of oil companies, finds that dealer-supplier relations have improved since its earlier report.

Significantly, the subcommittee recommends that any thought of legislation divorcing suppliers from their retail marketing operations—a possibility under consideration—be abandoned for the present.

The report notes that several oil companies have established dealer-supplier panels to bring dealer complaints into the open, and that some companies are granting longer leases to dealers, making them less vulnerable to pressure from non-renewal.

The committee agrees, however, that price discrimination and coercion exist in the industry, and urges companies to do more about it. The group further recommends that:

- Congress and the Administration act to give small business a tax break and make credit more readily available to independent petroleum distributors.
- The Justice Dept. investigate whether oil companies are violating anti-trust laws by use of company-operated or commission-basis service stations.
- The Justice Dept. investigate whether oil companies use such service stations to influence prices in violation of antitrust.

Roosevelt says his group will attack next the problem of gasoline surpluses, which cause price wars and other dealer problems, and later, will study the impact of increasing oil imports on small producers, refineries, and marketers.

• • •

## TV Advertising Billings

### For First Half Show Gains

Though the TV networks have had a tougher than usual selling season in lining up their fall schedules, national TV, which includes both network and spot advertising, has billed \$486-million during the first six months of this year. This contrasts with \$440-million for the same period last year.

Billing figures do not include various kinds of discounts, and hence do not represent actual revenues to nets and stations. But they are used as an index of advertising activity.

Here's the way the nets and spot TV shared in this business: Publishers Information Bureau figures show that the three nets billed \$251-million for the first half, up

about 7% over last year. Columbia Broadcasting System stayed in first place with \$117-million, a 9% improvement, followed by the National Broadcasting Co., with \$94-million, up 5%, and the American Broadcasting Co., with \$40-million, 4% ahead of last year's first half.

The TV Bureau of Advertising's estimates of national spot advertising reveals station billings running at \$236-million for the first six months, compared with \$206-million last year. Differences in the number of stations reporting throw comparisons off a bit, but an estimate based on stations that reported in both periods shows spot business a little better than 10% ahead of last year.

• • •

## Flood-Damaged Cars Turn Up

### In Texas at "Bargain" Prices

A small storm in the used car business has blown up in Waco, Tex., in the wake of Hurricane Audrey (BW—Jul. 6, 1957, p. 27). Russ Clark, president of the Waco Independent Automobile Dealers Assn., is warning prospective used car buyers that 1957 cars that were submerged in salty floodwaters in Louisiana are on sale at some used car lots in the city.

Clark points out that the cars still look shiny on the outside but that rust will quickly ruin interiors and motors. His association strongly opposes the sale of salt-damaged cars unless the buyer is fully warned, Clark adds.

While most car dealers have ignored stories in the local newspapers, one dealer geared his advertising directly to the flood. He offered a well-known make at a bargain price with the spiel: "May Never Be Another Flood—Beat the Rust to Them."

• • •

## American Tobacco Turns to Boxes

### To Put Zing in Hit Parade Sales

The American Tobacco Co. is launching its Hit Parade brand filter cigarette in a new flip-top box. At the same time, American is scheduling a heavy advertising campaign to push its newest brand, which hit the market last fall.

American has been a hold-out against the trend toward flip-top boxes. American Tobacco Pres. Paul M. Hahn says research now shows many consumers prefer the box. American also will continue to sell Hit Parade in the conventional package.

The trend to boxes started a year and a half ago when Philip Morris began marketing Marlboro in boxes (BW—Mar. 3, 1956, p. 112). Early this year, Liggett & Myers started offering buyers a choice of its L&M filters in either flip-top box or paper package. Among the big six cigarette makers, Brown & Williamson now is the only company not putting one or more of its brands in boxes.

Reportedly, Hit Parade sales have not met company expectations in grabbing off a share of the growing filter market. American will back the brand with a new advertising campaign in all major media. Hit Parade will take over sponsorship of "Your Hit Parade" on network TV, for many years sponsored by stablemate Lucky Strike.





ALL THAT WAS LEFT of a six-story concrete apartment house is this stack of floors that dropped, crushing 33 out of 44 occupants.

## Painful Lessons of Mexico City's

Not many buildings were designed to resist shocks. Not all that were stood up well. A new building code is coming.

**M**EXICO CITY's sharpest earthquake in modern history on July 28, was not only a catastrophe; it was also a test of building design—in many cases a test to destruction. This week the engineers, moved in behind the rescue squads and

began digging through the rubble (pictures) to see what they can learn from the city's shattering experience.

Dozens of architects and engineers are serving on the task forces that are conducting the autopsy. The federal

district government named a special commission, headed by Water Works Director Fernando Hiriart, to investigate the damage and recommend changes in the city's building code. The commission is working through 22 subcommittees of three men each.

It will take weeks to complete the study of even the major buildings, and some authorities believe more than





NEW BANK under construction was caught without walls to prop it up.



STAIRCASE on ten-story apartment house tore loose, fell to ground.

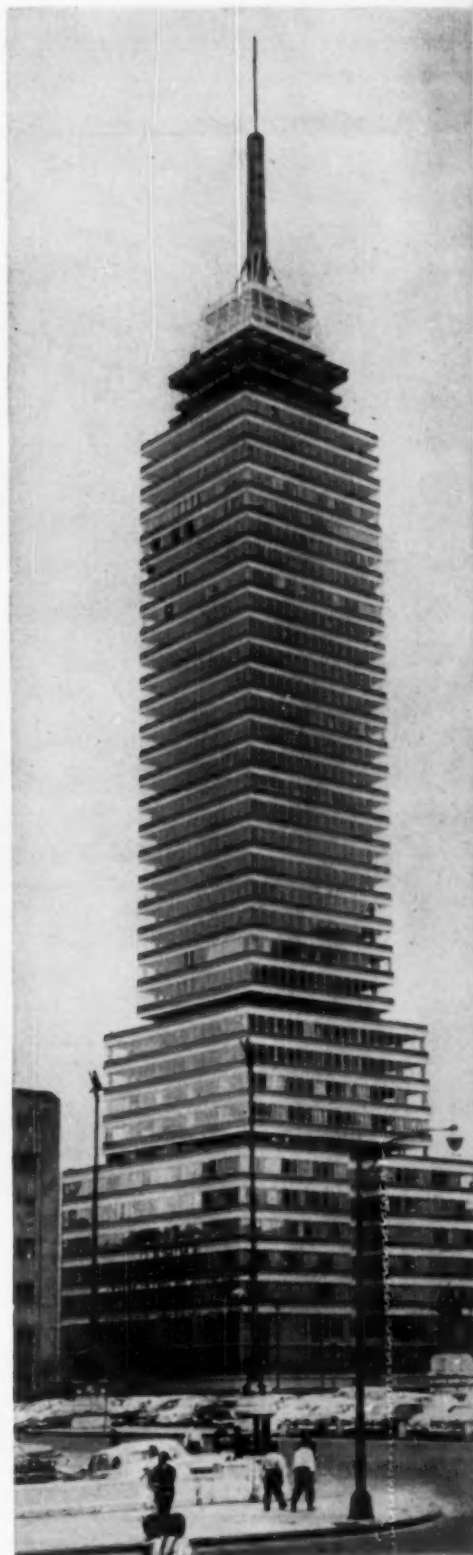
## July Earthquake

half of the city's structures of eight stories or more will show serious damage or need for reinforcements.

• **Predictable**—So far, survey reports show just about the opposite of what you might expect: Tall buildings suffered the most damage, one-story structures (even of old adobe construction) were virtually unscathed, newer buildings that barely met the city's 15-year-

old building code took a terrible beating while those that were designed with an eye on latest theories of earthquake-proof construction—rather than on minimum requirements of the code—generally stood up well.

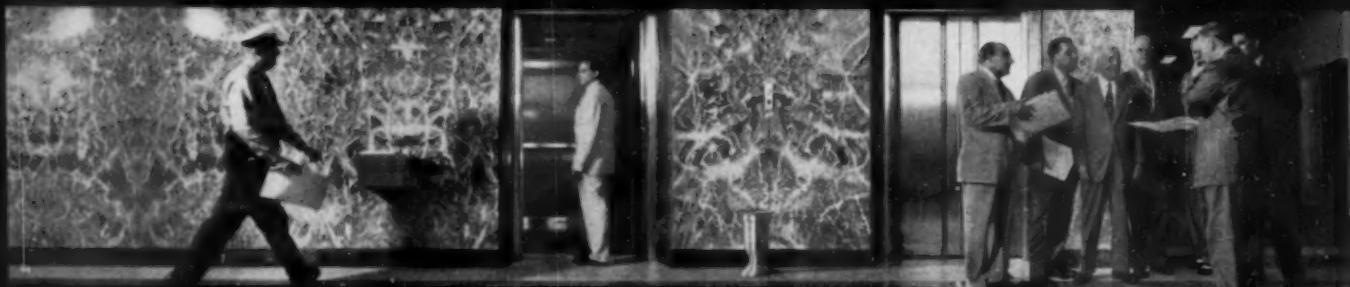
The most spectacular survivor of the quake is the 43-story Latin American Tower, tallest building in Mexico City. Its top floor swayed 12 inches, yet not



TALLEST BUILDING in the city, the Latin American Tower, came through unscathed, but it waggled 12 inches at its tip.



New Orleans' Mayor Morrison about to enter elevator in new City Hall (Councilmen at right).



Polite elevator doors allow Mayor to wait for important message.



Doors remain wide open while Mayor stands in the entrance.



Doors close promptly when entrance is clear.



Mayor deLesseps S. Morrison and the New Orleans City Council have their offices in the new City Hall, one of several buildings which comprise the modern Civic Center.

J-98745CA

## WITH WELL-MANNERED WESTINGHOUSE DOORS YOU NEVER GET THE RUSH ACT

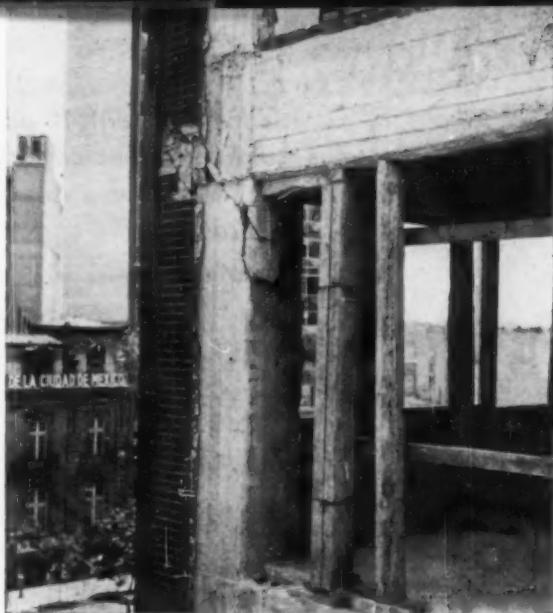
In the recently completed New Orleans City Hall, operatorless elevators never "close in" on passengers—or rush them into the cars. The reason?—basic politeness is built into Traffic Sentinel® doors, an original Westinghouse development for its modern elevator systems. Door openings and closings are synchronized to cope with the demands or needs of passengers.

You can see Traffic Sentinel doors in action in leading cities throughout the nation. If you

are planning a new building, or contemplating modernization of an older one, ask your nearest Westinghouse Elevator representative for full details about operatorless elevators equipped with these always-courteous doors.

YOU CAN BE SURE...IF IT'S  
**Westinghouse**

WESTINGHOUSE ELEVATORS AND ELECTRIC STAIRWAYS



CRACKS in concrete of steel-framed building under construction show how sideward thrust of floors can break columns.



INTERIOR of 17-story concrete building (left) shows damage to plaster, furnishings. This building may be beyond repair.



EXCESSIVE FLEXIBILITY of some buildings caused walls and windows to pop out (above). Rigid buildings stood up better.

(Story starts on page 68)

even a window cracked. The only visible damage was a crack in the interior plaster here and there. But many a lower building came down in a heap.

The difference apparently did not lie in the materials used but in the design. Buildings that were engineered to withstand quakes are more rigid, so they sway as a unit; the top stories can withstand more lateral force than ordinary structures can—to resist the whiplash effect of a quake. X-braces are often installed between floors to strengthen resistance to sway. Walls and exterior masonry or tile are more tightly keyed into the structure. All this costs about 5% more than construction where

earthquakes are not a serious problem.

• **Spotty Impact**—If a whole area got the same shaking-up, it would be easy to assess each building's resistance to damage. But the earth shock varies even in a radius of a few blocks. Moreover, a quake exerts its force in several different ways.

When the earth slips along a fault, commonly from 10 to 35 miles below the surface, compression waves and shear waves travel rapidly in all directions. They can be of very high intensity and high frequency, but they cause relatively small movement of the earth; generally, they have a vibrating effect.

These fast, sharp shocks are followed by two types of surface waves that produce the weird heaving motions so

impressive to most earthquake victims. These surface waves—one rocking back and forth and heaving vertically at the same time, the other rotating horizontally—do the most severe damage to buildings already shaken by the earlier vibration.

A geologist estimated for **BUSINESS WEEK** that the surface waves, with frequencies of 60 to 120 beats per minute, caused a surface movement of four to eight inches, perhaps as much as 24 or 30 inches in localities where forces were concentrated by subsurface conditions.

• **Moderately Severe**—By seismological standards, Mexico City got only a moderately severe shakeup. On both the Richter scale (a measure of the energy of the quake at its center) and





## malco uses Dennison peelable textile labels

*for brand identification...*

*for product information*

The Malone Knitting Company of Springfield, Mass. uses Dennison peelable textile labels with water soluble gumming to heighten point-of-purchase impact. For suggestions that will help you to increased sales, write or call the nearest Dennison office.

**Dennison**  
LEADERS IN PACKAGING  
SINCE 1844

Framingham, Massachusetts • Chicago, Illinois • Drummondville, Quebec  
Sales offices in principal cities

+ INDUSTRY'S BIG PLUS +	
<ul style="list-style-type: none"> <li>+ Skilled Labor</li> <li>+ Ideal Plant Sites</li> <li>+ Modern Industrial Parks</li> </ul>	<p>=</p> <p><b>RHODE ISLAND</b> INDUSTRY'S IDEAL STATE</p>
R. I. Dev. Comm., RM. 521, State House, Prov., R. I.	

**BUSINESS WEEK** maintains news bureaus and correspondents in 60 cities in the United States and possessions.



## DO YOU HAVE

a specialized business service that will help the American Executive to do his job

- BETTER?
- EASIER?
- FASTER?
- MORE

### PROFITABLY?

Then tell these executives about your services effectively and economically through the Business Services Section of "clues". Information without obligation by just dropping a line to

Classified Advertising Division

### BUSINESS WEEK

330 W. 42nd St. New York 36, N. Y.

**"... it's hard enough to put up a building in Mexico City without worrying about earthquakes..."**

**EARTHQUAKE** starts on p. 68

the Mercalli scale (a measure of the damaging effect at a given point), the July 28 quake rated 7½.

The highest possible rating on the Mercalli scale would have been 12, for total destruction of buildings. The Richter scale goes up only to 8½, but the top figure represents an earthquake with about 100 times as much energy at its center as the one that shook Mexico City.

Up to July 28, Mexico City had never recorded a Mercalli rating greater than 7, and only three quakes of that intensity have occurred since 1900. There have been several hundred weaker quakes, without much damage.

• **Built on Sand**—Mexico City is in a volcanic—therefore earthquake-prone—region. But the federal district's building code required no anti-earthquake provisions at all until 15 years ago. However, consulting engineers do not have to follow the code.

It's hard enough to put up a building in Mexico City without adding any worries about earthquakes. The city is built on a filled-in lake bed. Its buildings are supported by piles driven deep through the watery clay and sand. A few islands from the original lake offer firmer support for a few buildings, but the subsurface of the city has been likened to a bowlful of Jello with some rocks in it.

Emilio Rosenbluth, a Mexico City engineer, estimates that some blocks of the city got 12 times the shock that other localities received, because of reflections and refractions of the shock waves below ground. This may explain why some buildings collapsed while others in the same neighborhood stood—including one building that had been condemned before the quake.

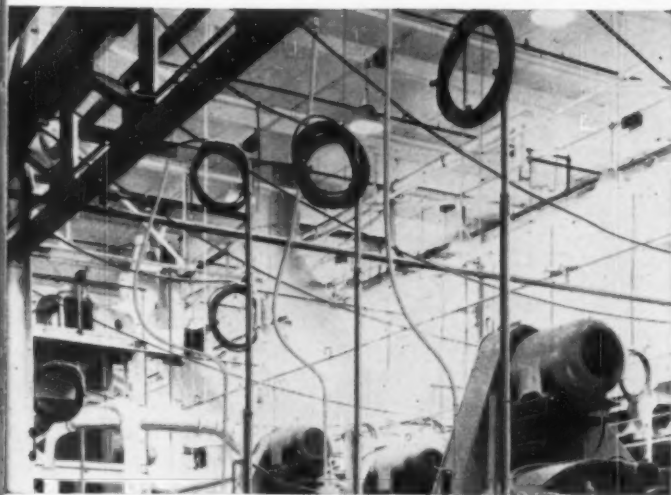
Last month's earthquake shook the underpinnings of downtown buildings deeper into the silt. Several of the taller buildings sank four to six inches. Some tilted more than a degree out of plumb, leaving large V-shaped gaps between their walls and those of neighboring buildings. But none overturned as might be feared, considering the shakiness of the sub-soil.

One of the city's showpieces—the Benito Juarez housing project—was so badly damaged that it may be cheaper to tear it down and start over again.

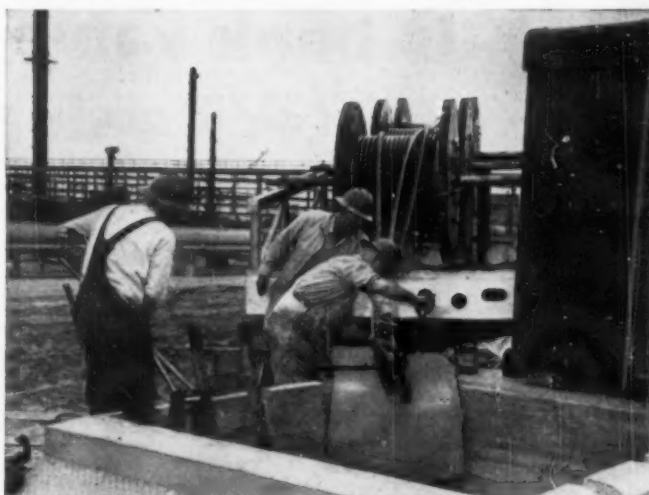
The buildings vary from 4 to 10 stories high, some of them connected with each other. When their supporting piles sank unevenly, whole groups



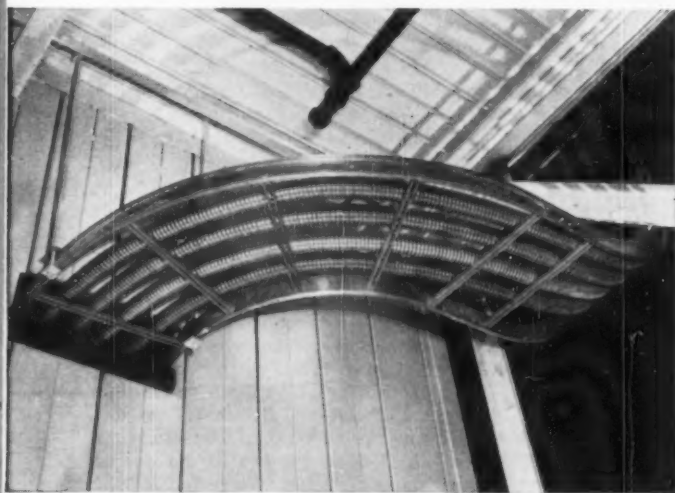
# 4 ways most plants can improve profits immediately with improved electrical wiring



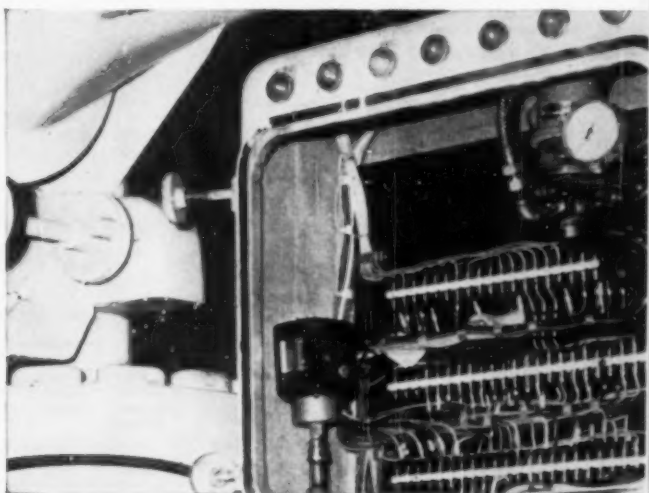
**Cut time relocating machines up to 90%** with flexible Powerduct® Bus-drop Cable. Powerduct just plugs into bus-duct . . . and unplugs when you want to move machines. You save time and cost of removing and reinstalling conduit systems . . . get machines back into production sooner.



**For lowering operating costs—use higher voltages.** You buy high voltage at lower power rates. Then, it reduces power losses . . . produces better, more economical performance from motors and other machinery. See the Man from Anaconda for a wide variety of high-voltage cables.



**Ready to meet future needs—**Anaconda Duralox® Interlocked-armor Cable lets you install new load centers, change plant layout, or add new facilities up to 40% faster, because it needs no conduit. You save time and money when Duralox is installed—and later, too, if cable must be moved.



**Better conductors.** Wiring can be adequate and still waste money—because it's obsolete. In an up-to-date wiring system, cable is chosen for the particular job to be done; for instance, Anaconda's Densheath 900® offers premium performance where moisture, oil or heat are tough on wiring.

**These are just a few** of the new Anaconda wires and cables that can help keep costs down, production high. If *your* electrical system is outmoded by age or new operating conditions, you will save money by bringing it up-to-date *now!* Talk to your electrical engineers, electrical consultants and contractors, or electric utility. They can give you personal and expert advice. And see the Man from Anaconda for the most modern electrical wire and cable. \*Reg. U.S. Pat. Off. 57429

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For what it's worth...

## How important is book value in stock valuation?

from the CLIENTS' SERVICE BULLETIN  
of The American Appraisal Company

In estimating the value of closely held corporate stocks, the inexperienced often attach undue importance to the net equity as reflected on the balance sheet.

The February, 1956, issue of THE EXCHANGE, published by the New York Stock Exchange, reported an interesting analysis of the 1055 common stocks listed on the big board. On the basis of figures available at the time the study was made, it showed that 660 stocks were selling above book value and 395 below book value. The variations were wide: 202 stocks were selling at 100% or more above book value and 72 were selling for one-half of book value or less.

The study clearly demonstrates the relative unimportance of book value of the underlying assets as a factor affecting market value of the stock. Balance sheet figures reflect the investment and retained earnings less reserves and liabilities. They seldom purport to reflect current values or liquidation values of the long-term assets. Such assets as patents, franchises, trade names or other intangibles are often omitted or carried at nominal amounts. If management cannot earn a reasonable return on the investment, the stock will seldom be worth book value; but when earnings, past and prospective, are in excess of such a fair return, capital equities may be valued at substantially more than book values.

In any valuation of capital stock, the present value of the corporate assets is a factor to be considered, because significant comparisons can be made as to the return on the required investment. However, in the case of a successful company, the study of earnings, growth and prospects for the future may far outweigh in importance the book values

or restated values of the underlying assets. In any case, book value is a questionable guide to the measurement of the intrinsic value of ownership in an enterprise. The value of such ownership is dependent to a greater degree on management, earnings, dividends, business potentials, the trend of growth or recession, accounting policies and profit margins than on the stated values recorded on the balance sheet.

★ ★ ★

The American Appraisal Company has for many years been engaged in the valuation of closely held corporate equities for merger, sale, reorganization, and estate and gift tax purposes. Its services in this field have been used beneficially by owners, executors, administrators and trust companies. Where required, its findings have been persuasively supported in court by qualified witnesses. American Appraisal Service is also widely used in the valuation of intangibles and in the valuation of an enterprise.

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"... concrete structures had trouble when floors sheared through the walls . . ."

EARTHQUAKE starts on p. 68

of buildings were thrown askew. Elevators won't work; cantilevered stairways are loose; the buildings battered each other severely where they were joined.

• **Main Faults**—This battering of one building against another was one of the commonest examples of damage in the quake. The damage was particularly severe when floor levels in adjoining buildings didn't quite line up—the floor of one building would slice through the columns of its neighbor.

Sometimes, too, sections of the same building, side by side, weren't joined securely enough. When the joints broke, they also hammered each other.

Reinforced concrete structures had trouble when the floors sheared through the walls. One apartment building of this construction collapsed like a house of cards when the floors hacked through the walls and columns. More than 30 tenants were killed as the floors dropped in a stack on the ground level.

Many buildings put up at a time when flexibility was deemed an advantage in thwarting earthquakes proved to be too flexible. Their windows were all broken, they shed their outer wall masonry or tiles, and their structural framing was left distorted.

• **Building Code**—Mexican engineers are almost unanimous in urging a new building code for Mexico City. They say that the newest structural theory, known as dynamic analysis, should be embodied in the code and that enforcement should be tightened.

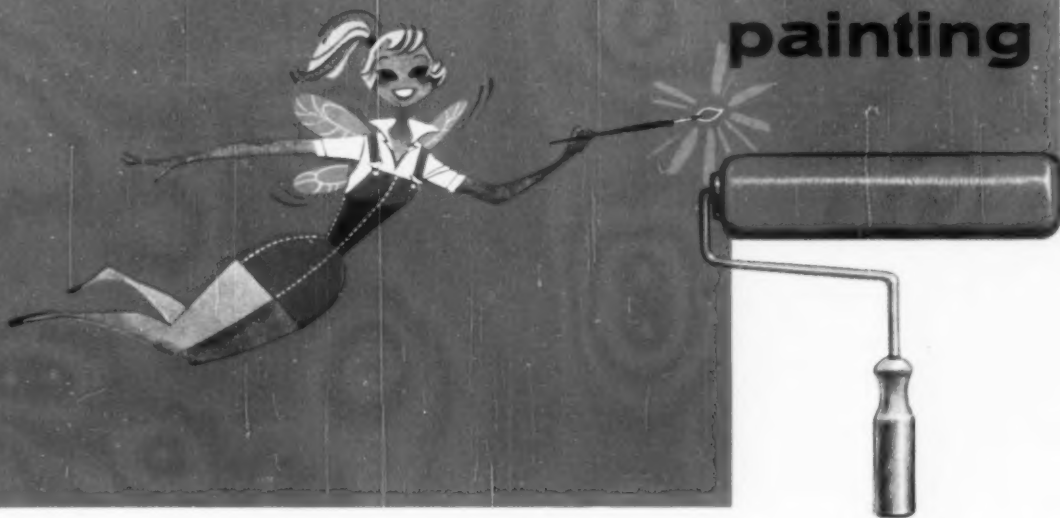
According to dynamic analysis, stronger whipping action must be expected on the upper floors and the natural vibration frequency of the building should figure strongly in the calculation of stresses. If the shock frequency of a quake happens to coincide with the natural frequency of the building, the effect of the shake is magnified. The fact that it did not in the Latin American Tower and several other big buildings is credited with saving them from major damage.

San Francisco's building code, adopted a year ago, incorporates the theory of dynamic analysis, and Mexican consulting engineers are already considering it as a possible model for a revision of their city's code.

Some engineers want also to zone the city's building requirements according to each site's exposure to earthquake damage. Sites on the islands of the original lake, they point out, might call for less safeguarding than nearby buildings set on piling. **END**



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## Venezuela... a nation on the move

*Economy booms as petroleum powers nation's development*

*Sembrando el petróleo*—"sowing the petroleum"—is transforming Venezuela into an industrial power at an incredible pace. In 20 short years, the country has become Latin America's leading exporter... the world's chief shipper of oil... and the second-largest South American market for U.S. goods.

Per capita income is up to \$700, highest in Latin America. Thanks to irrigation and new cultivation methods, Venezuela now grows 85% of its food. Bulldozers are pushing miles of highways and railroads through jungles and across mountains. And the schoolhouse, too, is pushing back frontiers—adult illiteracy is down 20%, and school enrollment has doubled since 1946.

These tremendous achievements are a tribute to Venezuela's foresight in

pumping oil proceeds back into the economy, to her policy of maintaining a favorable climate for foreign investment, and to the initiative of private capital in developing new industries that help stabilize the economy.

Businessmen with interests in Venezuela, as well as others interested in developing business there, appreciate the counsel and facilities provided by First National City bankers. Talks at Head Office with officers of many years' experience overseas can be a useful preparation for a trip to Venezuela.

These bankers are in daily contact with our three Venezuelan Branches, which supply a steady stream of up-to-the-minute information on local business conditions and provide the convenience of on-the-spot banking facilities.

For a complete picture of Venezuela's economy—and the ways First National City can help you do business there—ask your First National City banker for your free copy of our new 28-page, illustrated booklet, "Venezuela." Or write First National City Bank, Dept. D, 55 Wall Street, New York, N. Y.

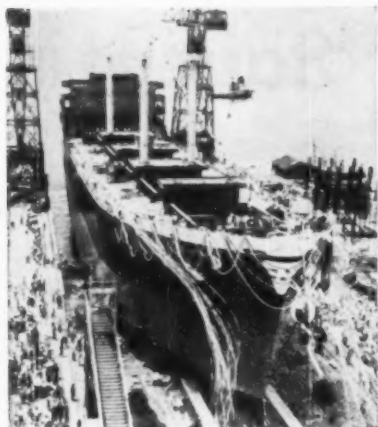
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## Tanker-Like Freighter

This tanker-style ocean freighter represents a radical change in design. Recently launched in Japan, the World Japonica is the first general cargo ship of any size to have its machinery spaces, quarters, and navigating bridge aft, leaving the best and widest spaces just for the cargo. Great sweep of uncluttered deck also aids in laying out holds and handling the cargo, too. The new type of ship, which does 17 knots and carries 15,000 tons of cargo, was built for the Niarchos group.

## PRODUCTION BRIEFS

A campus-style technical center will be built by Procter & Gamble Co. on a 265-acre site near Cincinnati. Facilities, which include a personnel building, will house the research and development laboratory office for P&G's foods and overseas operation divisions, laboratory facilities, testing kitchens, a research bakery, and other experimental pilot units.

Tunneling crews, digging an average 200 ft. per week at each of four headings, are breaking records at the Chute-des-Passes power development in Northern Quebec. The six-mile tunnel is part of the 1-million-hp. hydroelectric project for Aluminum Co. of Canada. The contractors are Perini-McNamara-Que-mont Construction Companies, a joint venture.

Ammonium nitrate fertilizer is now doubling in brass as blasting powder, according to Monsanto Chemical Co. The reasons for this switch are its safety, the fact that it can be easily controlled by good blasting men, and that it costs half as much as conventional blasting powders. Ammonium nitrate won't explode unless it is mixed with the proper amount of fuel oil and the mixings detonated with dynamite.



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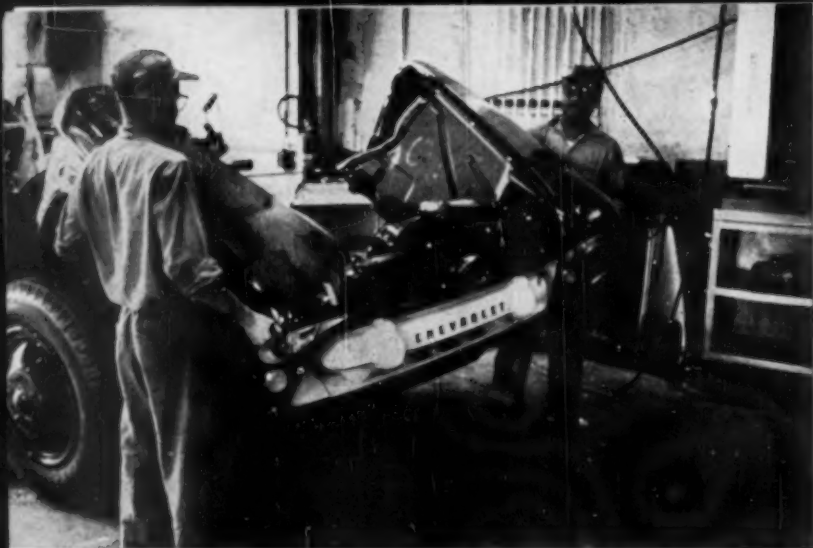
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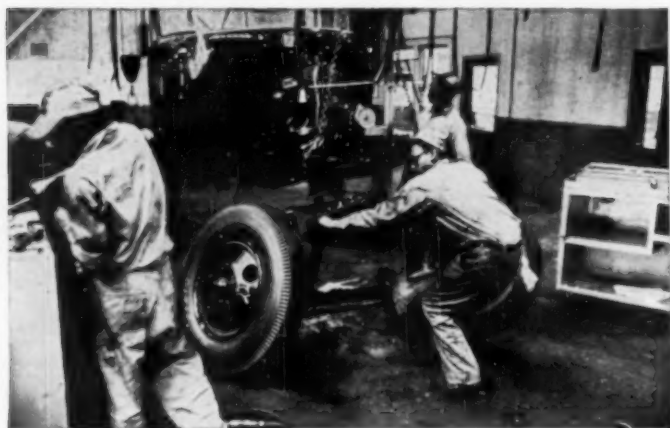


**ALL-STEEL EQUIPMENT INC.**

AURORA, ILL.



- 1** As a truck starts down the disassembly line, the first things removed are the front trim, radiator grill, fenders, bumpers, fan, and fan belt.



- 2** Next, the truck is hooked onto an overhead conveyor, and the front axle assembly, steering gear, and rear wheels are stripped off.



- 3** Cabs are crated separately. Every inch of space is used by cramming them with tires, gas tanks, fenders, bumpers, hood, and other components.

- 4** Chassis, with engines attached but stripped of all removable parts, are nested by turning the top one end for end and upside down (right).

# Squeezing

In overseas shipments, it saves on freight bills by cutting down on volume. Specialists like Aacon Contracting Co. of Brooklyn have developed tricks to do the job fastest, most economically.



# Trucks Into Small Packages

**I**T TAKES only nine minutes for Aacon Contracting Co. of Brooklyn (pictures) to disassemble a truck, crate it, and move it off the disassembly line for shipment overseas. Aacon does a \$3-million business each year through its ability to cram a truck into a smaller package, and do it faster, than competitors can.

Among more than 50 packing specialists in the New York port area, Aacon ranks among the top three in volume. It crates aircraft, machinery,

even statues, but 80% of its business is in automobiles and trucks—mostly trucks. Last year, Aacon boxed about 25% of the 189,000 trucks that were exported.

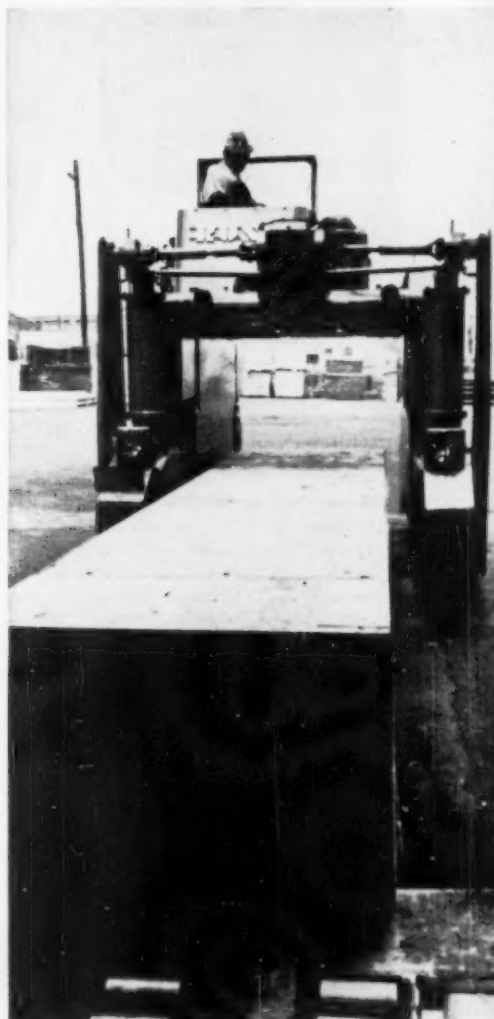
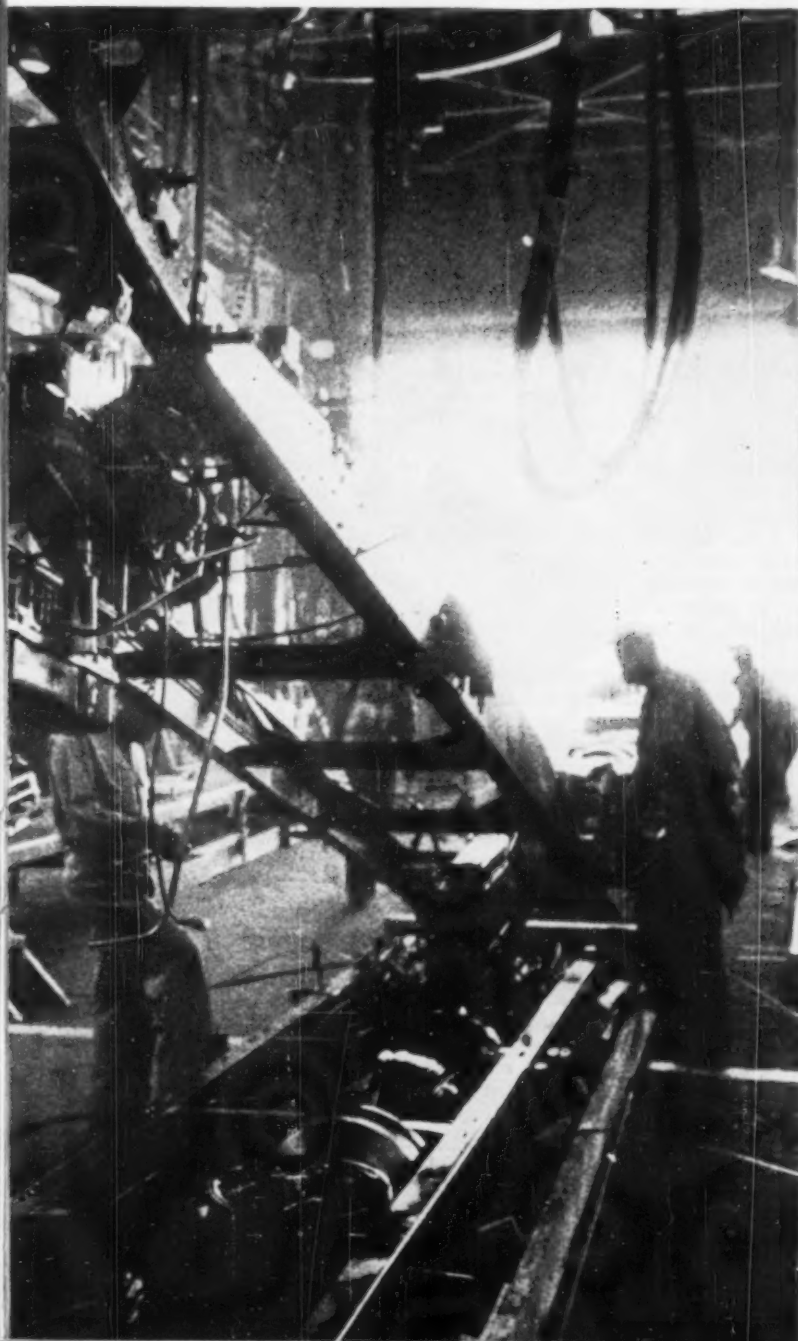
More machinery—electronic equipment, printing presses, machine tools, industrial ovens—is going through the port of New York these days, packers say. This means business for Aacon and other leading packagers, such as Universal Packing & Shipping Associates, New York Crating Co., and Jerome

F. Gould Corp. (BW—Sep. 5 '53, p128).

• **Compete With Customers**—These companies must compete not only with each other but also with their customers. They have to give faster, cheaper, or better service than the manufacturers can arrange for themselves. If they fail to do so, the customer will do his own packing for export.

Success in this kind of packing is measured by:

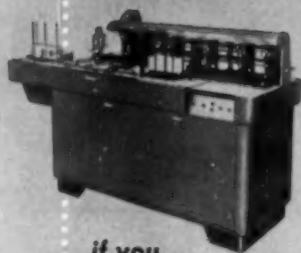
**Speed.** Aacon is geared to deliver 100 trucks to the pier within 24 hours—or



**5** A two-chassis crate comes off the end of Aacon Contracting Co.'s disassembly line to be picked up by straddle truck.



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**BOXED TRUCK** on fork-lift is bound for Saudi Arabia. It is being loaded on Aacon's specially built hauler with a telescoping trailer bed that automatically unloads itself.

300 on an emergency basis with three shifts at work. Thus, the truck exporter can sometimes get a last-minute order aboard ship, when the next sailing might be weeks away.

**Saving on freight charges.** By packing a truck into the least possible volume—cubic feet of space counts on the freight bill along with weight and the distance hauled—Aacon claims it can save the truck exporter anywhere from \$50 to \$180 per truck.

**Condition on arrival.** Aside from obvious considerations, such as freedom from damage, it makes a big difference whether the knocked-down truck arrives at an overseas port easy to assemble or hard to assemble. Parts must be marked for foolproof assembly by workers who may be unfamiliar with the truck.

Truck and auto manufacturers generally have their own boxing and crating departments as part of their factories. So the independent packers have to show advantages over the integrated operation. Aacon is proud that it processed more trucks for one of the country's biggest manufacturers than the company's own export division handled last year.

**Economics**—It's possible to make a much greater saving on trucks than on automobiles. Stripping a truck down to its bare chassis and boxing it, usually nested with another truck, can reduce the cubic feet of space by 67% to 75%. Last year, Aacon was able to show a saving of \$160 per truck, on the average, in volume of 10,000 or more trucks shipped by one maker.

Automobiles, on the other hand, can't be packed into much less volume, short of cutting them up with a torch. Wheels and bumpers can be removed readily, but there isn't enough saving on freight

usually to make the job worthwhile. Therefore, if autos are boxed, it is to protect their finish and discourage pilferage.

Trucks, too, are sometimes shipped "standing up," when shipping space is in oversupply and the shipper can get a special rate, or when the voyage is so short, as to some western European ports, as to make little difference in the freight bill. The decision in each case must consider, too, such things as import regulations and dock facilities at the destination.

As a specialist, Aacon contends that it can save money for the manufacturer, too, on the actual boxing of a truck. That's because it has worked out special equipment and special techniques that few non-specialists are pressed to develop for themselves.

**Teletype Alert**—When Aacon gets an order to pack a certain model of truck, it digs into its file of more than 2,000 punched tapes that carry data for every kind of truck the company has ever boxed. The tape for each truck gives its dimensions, number of wheels, type of body, and special crating instructions. The tape is put on a closed-circuit teletypewriter system that alerts two points in the shop, the main office, the sales department, and the traffic department.

By the time the shipment arrives, complete instructions are on hand. As the trucks arrive and are disassembled by a gang of 80 men per shift, 18 inspectors check every part. Sometimes they turn up defects or deviations that the factory had not spotted.

**Quick Demolition**—As each truck starts down the disassembly line, each part is color-coded with paint as it is removed; all parts of each truck are marked with the same color, the next





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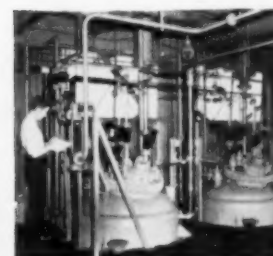
Building Materials: Mineral Wool  
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& Fittings, Wood Preservative



A major part of Tennessee operations is conversion of coal from TP&CC mines to coke, chemicals and other by-products vital to industry. Here glowing coke is being "pushed" from one of 44 coke ovens.



New \$10,000,000 ferroalloy plant with 12 electric furnaces has gone into operation as TP&CC expands facilities to meet all-time high demands for ferroalloys.



Expansion also keynotes Tennessee's chemical operations. Modern facilities, including two new production units, are employed in the manufacture of Benzoflex plasticizers and other aromatic chemicals. Reactors shown are typical of glass lined equipment used throughout TP&CC plants to assure highest quality products.

Opportunities for Chemical Engineers, Write Howard Reeves, Director of Research, Tennessee Products & Chemical Corp., Chattanooga, Tenn.

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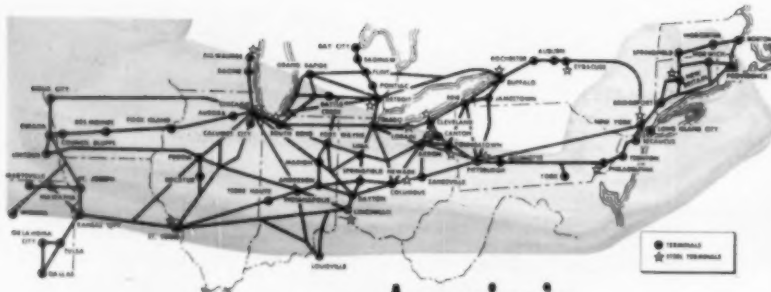
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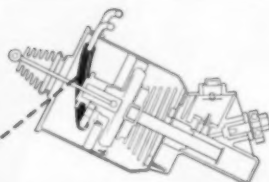
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truck with a different color. This keeps the parts from one truck from getting into the wrong case or makes it easy to separate them when trucks are packed two to a case.

First, the truck loses its radiator, grill, and fenders. As it continues along, men next remove the bumpers, fan and belt, and seats. The chassis goes on an overhead conveyor at this point. Then the front axle assembly, steering gear, and rear wheels go one way while the cab goes another.

As each part is removed, all fasteners are replaced, so the overseas assembler will have no doubt about what goes where. Aacon feels this is better practice than putting the fasteners into small bags that might get lost; it also provides a check for stripped threads on screws and bolts.

The truck cab is stuffed with tires, gas tank (drained dry), fenders, bumpers, headlights, grill, seat, hood, and steering wheel assembly. Then it is boxed separately.

Meanwhile, the chassis continues down the overhead conveyor, losing its rear axle assembly and all removable parts of the engine. The smaller parts are put on a conveyor belt that keeps pace with the main conveyor, are then packed in the same box, each in its own niche.

When the chassis has been stripped of everything but its motor, the boxing operation begins.

First, the front and rear axle assemblies and the springs go into the bottom of the box; then the chassis is laid in it. Everything gets a coat of preservative as it is laid away. In packing two trucks to the box, the second chassis is turned upside down and end for end so its engine nests in the rear section of the other chassis. The axles and springs of the second truck complete the sandwich.

• **Special Handling**—For speeding deliveries to the piers, Aacon has a patented self-unloading truck that's a big help. It can carry as much on its low, flat bed as three or four standard trucks, and it doesn't need any unloading crew to meet it.

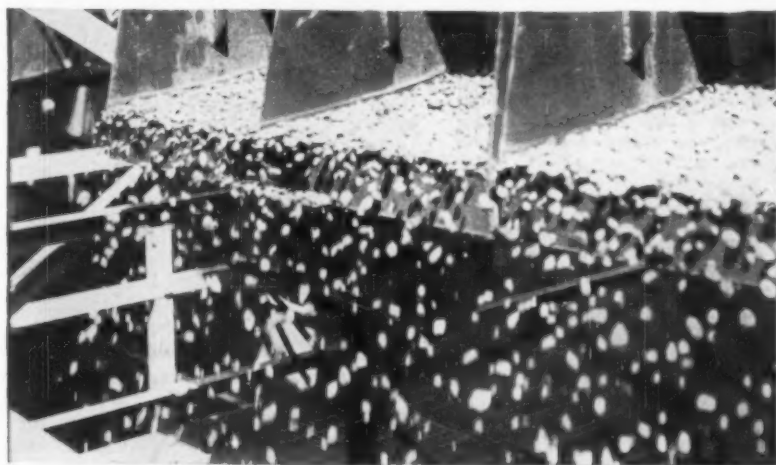
For example, this truck can haul four boxed automobiles at once, stacked two and two. A snubbing cable leads to the rear pair of crates from a winch that the driver controls from a station behind the cab. The trailer bed can be telescoped or tilted, also at the driver's command. The driver shortens the trailer bed until the rear pair of crates, controlled by the snubbing cable, tilts off to the ground.

Then he shortens the trailer bed further, or rolls the whole truck ahead, until the other end of the crates slides down a skid to the ground. The second pair of crates can then be moved to the rear of the truck bed by tilting it, and the process is repeated. **END**

## NEW PRODUCTS



### Separating Good Gravel From Bad...



### By the Way the Stones Bounce

This plant sorts out soft stones from hard ones quickly and easily, making it possible to get good aggregate for highway construction from gravel pits normally considered substandard producers. It means that gravel sources near the construction area that previously were considered unsatisfactory may now be able to supply suitable aggregate. If this is the case, the expense of hauling the stone from often far-distant prime sources is eliminated.

The gravel plant is manufactured by Blaw-Knox, Pittsburgh. The company says it can be operated by regular gravel pit employees.

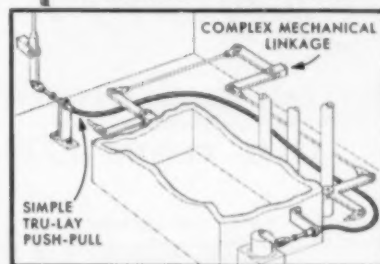
• **How It Works**—The plant works this way. Stones and gravel carried to the top of the plant in conveyors are dropped onto an inclined plane and bounced into one of three compartments (pictures). If they take a good bounce, they land in the farthest compartment and are considered satisfac-

## TRU-LAY PUSH-PULL REMOTE CONTROLS

make hundreds of  
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The **DATA FILE** offered below shows how the Precision Construction of these PUSH-PULLS provides sustained accuracy, lifetime service and improved operating characteristics for literally hundreds of products (ranging from relatively delicate photographic equipment to the roughest and toughest dirt-moving equipment) to make them more useful ... more salable.

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**Mechanical Linkages**, as shown dotted in the drawing, are Complex, have Many Parts, Many Points of Wear to create Increasing Back-Lash with Loss of Accuracy and Multiple Vibration Rattles.

The six bulletins and  
booklets in the  
**DATA FILE**

provide a clear picture of  
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tory for use in highway construction. If they bounce into the middle compartment, they are put through the process again to separate the few remaining good stones from the bad. If they land in the nearest compartment, they are rejected.

The principle is simple. Soft stones don't bounce so high as hard stones. And soft stones do not make good aggregate. By spacing the compartments so that only satisfactory stones reach the third compartment, it's possible to separate out aggregate that more than meets the minimum road building specifications of state highway departments.

Before setting up a plant, Blaw-Knox tests samples of the gravel from a particular pit. Then its engineers design a plant that will do a proper sorting job.

## NEW PRODUCTS BRIEFS

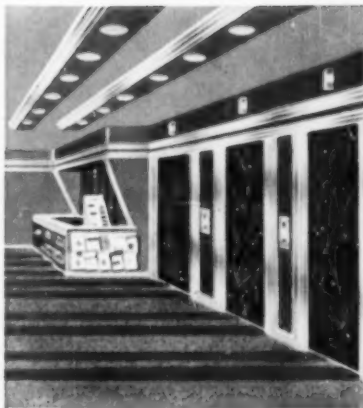
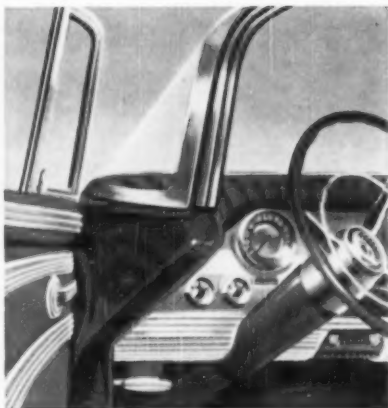
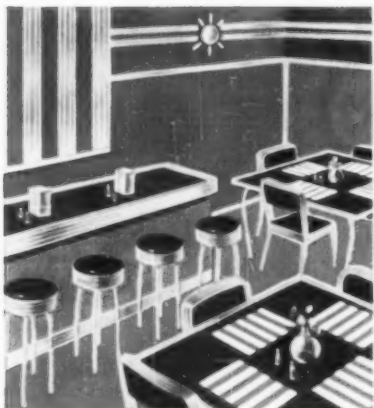
A hand tool for bending leads on resistors, diodes, capacitors, and other printed circuit panel components has been developed by By-Buk Co., Los Angeles, Calif. The tool can be adjusted to any component body length from 1-in. to 1½-in. so that the leads of the component will match the holes in the printed circuit panel. The manufacturer claims the tool eliminates the danger of plier damage to components and does a neater job. It costs \$35.80.

A structural adhesive that eliminates the need for priming aircraft and missiles' sandwich cores before binding with the metal face is being manufactured by Narmco Resins & Coatings Co., Costa Mesa, Calif. The tape, called Narmtape XP-108, is said to be highly resistant to aircraft fuels, salt spray, commercial solvents, and other corrosive materials. It costs \$3.00 a sq. yd.

A magnet device to reduce corrosion in internal combustion engines is being made by the Johns Mfg. Co., Middlesex, N. J. A small magnet fits on the tip of the company's Magna-Power unit, which is installed in place of the standard oil pan drain plug of an engine. The unit neutralizes acids normally found in an engine and the magnetic tip attracts and holds metal splinters in the oil.

A wire packaging machine that feeds wire through a metal cone into preset coils that lie flat across a pallet in layers has been marketed by E. Jefferson Crum, Riderwood, Md. This eliminates the need for spools or reels, and prevents wire tangling or breaking during coiling and uncoiling. Cost depends on machine application.





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the meaning is **PROFIT**



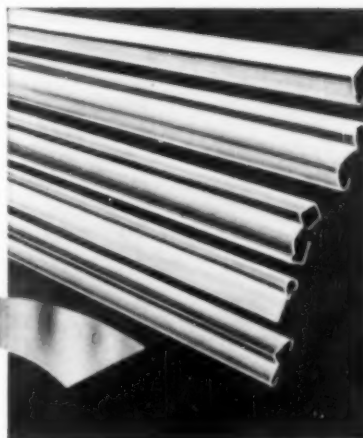
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**NEW cabs!** All-new design, with new reinforced cab mounts for greater strength and durability! New inboard cab step, new Hi-Dri ventilation!

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\*Based on comparison of factory-suggested list prices.

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... LAST LONGER, TOO!



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**SKF INDUSTRIES, INC., PHILADELPHIA 32, PA.**



## RESEARCH

# The Battle Over Fats in Diet

● Researchers think that in a year or two they may find the link between animal fats and the level of cholesterol in the blood stream.

● Much farther off is any proof that cholesterol is the cause of hardening of the arteries.

● Meanwhile, doctors are easing up on their recent advice that people shun animal fats.

SCIENCE is still a long way from proving that animal fats are the cause of rising levels of cholesterol in the blood, and a lot further away from proving that cholesterol is the active villain in hardening of the arteries (arteriosclerosis). That—despite a spate of heated public indictments of fats in food—is the medical consensus in an American Heart Assn. review of developments in the hunt for a link between fats in food and hardening of the arteries.

Some optimistic researchers believe that by 1958 there may be major developments in finding a link between fats in food and fats in the blood. But even these optimists say it will be much longer before any tie-in to hardening of the arteries can be established. Real progress in this direction is barred now by lack of knowledge of such things as stereoisomerism (a condition where two or more substances have the same number and kinds of atoms, but different chemical and physical properties and the chemistry of steroids (a class of compounds including bile acids, sex hormones, etc.).

• **Quest For a Pill**—Meanwhile, the quest for a pill that will check the rising U.S. death toll from hardening of the arteries is being pressed vigorously, despite the gaps in scientific knowledge (BW—Feb. 16 '57, p. 53). In recent weeks, there have been some hopeful findings, stemming from the theory that a chemical can be found that will reduce the cholesterol in the blood, and so reduce the clogging of the arteries.

The National Heart Institute has found a way to reduce the blood cholesterol in laboratory animals by as much as 44%. Its biochemical studies have shown that the synthetic compound delta-4-cholesterone actually interferes with that normal mechanism of the blood that manufactures cholesterol. The trouble with using this drug is that it doesn't work unless the animal is fed a diet absolutely free from cholesterol. And such a diet would

simply not be practicable for humans.

Some researchers think the discovery of the synthetic cholesterol depressant may actually be the first break in the effort to link cholesterol to hardening of the arteries. As one hitherto frustrated researcher puts it, "At least, it should start to clear the smoke away from the mystery of cholesterol itself. All by itself, that would be a major advance."

• **What Is It?**—The mystery-wrapped cholesterol is commonly thought of as a yellow-white fatty chemical found in such foods as butter, eggs, milk, and cheese. Doctors have known for a long time that the human body must have some cholesterol in the blood stream, to build cells and to manufacture certain hormones. They also know that some organs, among them the liver, produce a certain amount of their own cholesterol.

Present thinking is that the trouble comes when the metabolism of the body fails to handle its quota of cholesterol. Then, pellets of undigested fatty alcohol clog the walls of the arteries, causing them to become narrow and rigid. The flow of blood is slowed, and clots result.

• **Wide Split**—Where scientists really can't get together is on the causes of the build-up of cholesterol in the blood stream, and how to reduce it.

At one extreme is Dr. Ancel Keys, head of the physiological hygiene lab at the University of Minnesota, who says, "There's a definite connection between the proportion of fats in the habitual diet and the serum cholesterol concentration of any individual. Cut down on the intake of fats and you cut down on cholesterol and lick heart disease."

At the opposite pole is Dr. Frederick J. Stare, of Harvard's School of Public Health. Stare says, "If you cut cholesterol out of anyone's diet completely, his body will simply adjust to compensate for the lack. The human body can make cholesterol out of carbohydrates and protein as well as fats. Denied chole-

sterol in food, it will simply manufacture more of its own."

Other authorities, straggling out between these extremes, tend to believe the cholesterol content of the blood is controlled by the balance of the so-called hard and non-hard fats in the diet. All fats are divided into these two main classes. Hard fats include most of the animal fats. At room temperature they are solid, hence the name. Hard fat molecules contain more hydrogen atoms than do the non-hard fats; as a result they are called "saturated."

Soft fats generally are the so-called vegetable fats, they are normally liquid at room temperature. Thus olive oil is liquid because it is made up chiefly of "unsaturated" fatty acids; beef fat is solid because its fatty acids are "saturated" with hydrogen atoms.

• **New Evidence**—Some striking experimental evidence has been found to support the idea of the importance of the balance between hard and non-hard fats. Dr. B. Bronte-Stewart fed up to a dozen eggs apiece, fried in hard fat, to one control group. Both eggs and fat contained cholesterol; everybody's cholesterol content promptly soared. Then the same group got the same amount of eggs, fried this time in peanut oil, which is non-hard. This time their blood showed no increase in cholesterol. Bronte-Stewart and his aides concluded that it was the balance of hard and non-hard fats that was important, not the omission of either of them.

Despite the impressiveness of evidence of this sort, there's a growing feeling that it doesn't tell the whole story. Many doctors are beginning to soft-pedal their advice of a few months back, that patients should shun hard animal fats entirely in order to prevent the clogging of the arteries of the heart.

Dr. Edward H. Ahrens, Jr., of the Rockefeller Institute for Medical Research, takes a middle ground. He says, "There is no real reason to believe that changes in an individual's blood cholesterol level will actually prevent or relieve coronary disease. But there are certainly a number of good pieces of circumstantial evidence that make it sound medical advice to limit human intake of hard fats until more research findings have been made."

Many food producers have been having a hard time in the controversy, and some in self defense have joined the pack of researchers. Indeed, it's not just the producers of such hard fats as lard and butter who have come under the guns of the doctors who see a clear link

# GENERAL REFRACTORIES



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***"... most medical men expect startling developments before cholesterogenesis is explained ..."***

**STORY starts on p. 89**

between cholesterol and hardening of the arteries.

Most of the lard and butter substitutes that have come on the market in recent years (such as Crisco and Spry) are produced by adding hydrogen atoms to some such non-hard vegetable oil as cottonseed oil, and thus turning it into a solid saturated compound.

• **Restraint**—One nutritional research director says that, considering the situation, the producers of corn, peanut, and cottonseed oil—in untreated form—have shown remarkable restraint in not pressing their temporary advantage over hard fats. This, he adds, "would seem to illustrate the growing belief that most medical men expect startling developments before anyone can point with certainty to the factors responsible for cholesterogenesis. No one—not even research directors in companies that at the moment hold the whip hand—is sure enough of his ground to exploit it."

The whole cost of the effort to study cholesterol and its effects can only be guessed at. The federal government is spending \$33.4-million a year on heart research in general, through the National Heart Institute.

The American Heart Assn. contributes close to \$500,000 a year to study of the cholesterol area. Food company research has been estimated to be spending \$25-million a year. Private laboratories and universities have joined the work; pharmaceutical companies are coming in.

• **Something Else**—Of course, all this massive weight of research may actually grind out some entirely new cause for hardening of the arteries. In individual cases, lack of physical exercise, business or emotional tensions, even smoking, may get into the act.

Ultimately, research may reveal that cholesterol metabolism is thrown off by the lack of some hormone in the body. If that were the case, it might be possible to synthesize the hormone and supply it to persons with too much cholesterol in their blood. That would mean that the person could continue to eat a normal diet and still avoid heart trouble.

Even the hormone solution would leave one big question, however. Would the hormone suffice to pull cholesterol out of deposits already in the arteries? The answer to that is really a long way off. **END**



## **This shopping center consumes enough electricity to supply 25,000 homes**

Here are 161 acres of shopping convenience—the Northland Center development of the J. L. Hudson Company in suburban Detroit. The branch department store and some 80 other Northland Center stores use electric power for interior and exterior lighting, elevators, conveyors, escalators, pumps and blowers, and compressors for air conditioning and refrigeration.

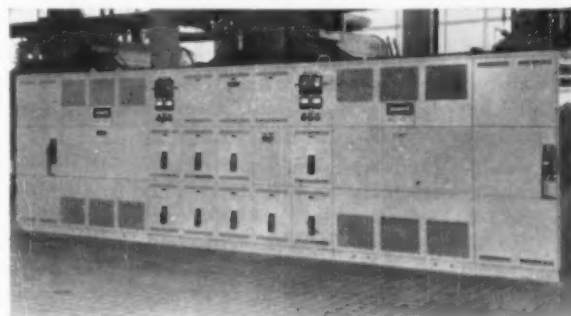
So great is this shopping center's demand for electricity that the Detroit Edison Company has built a substation there large enough to supply the electrical needs of 25,000 homes.

Eleven double-ended substations, rated 1500 and 2000 kva, are required to distribute this electric power. Each unit substation is equipped with two Wagner dry-type transformers which meet all requirements for safe indoor installation because they are fireproof and explosion-proof.

Wagner Transformers play an important role in

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WT57-7



## RESEARCH BRIEFS

A liquid hydrogen bubble chamber more than 60 times as large as any now in use is being built by the University of California Radiation Laboratory, with an assist from the National Bureau of Standards. The chamber will be used in connection with UCRL's Bevatron, a 6-billion electron-volt particle accelerator (BW-May 4 '57, p94) to make possible a better understanding of fundamental nuclear physics.

An electrolytic process for measuring metal in solutions a thousand times more dilute than those previously analyzed has been developed by University of Wisconsin chemists. The new method is so precise it can measure one part of lead in 5-trillion parts of solution—chemically a  $10^{-9}$  moles per liter concentration.

A regional center for research on aging will be in operation at Duke University within the next 18 months. A U.S. Public Health Service grant of \$1.5-million over a five-year period will help support the project—first of its kind in any U.S. university.

An experimental method of forecasting maximum storm tides due to hurricanes has been worked out by U.S. Weather Bureau meteorologists. The system was tested on Hurricane Audrey, proved accurate within 2 ft. of the actual tidal surge at Lake Charles, La.

Whales may provide the long-sought source of growth hormone for the effective treatment of disease in man, according to Dr. C. H. Li of the University of California. At the International Congress of Pure & Applied Chemistry in Paris, Dr. Li indicated that whale hormones are being studied in the treatment of cancer, dwarfism, and metabolic diseases.

Segregation and the uncertainty accompanying cultural change are blamed for the rapid increase of mental illness among Negroes in Virginia. The Negro rate of first admissions to mental hospitals in that state is now double the rate for whites, and is increasing at a startling pace.

Three reports of Air Force-sponsored research in the field of adhesives for metal surfaces have been released through the Commerce Dept.'s Office of Technical Services. Two of these studies deal with the nature of metallic surfaces and the adhesion of organic materials to them. The other is a review of research toward development of high temperature-resistant silicone adhesives.



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Profitable hauling depends on more than just payload capacity. A big factor is the money you have to spend on maintenance over a year's time. Here's how Gar Wood-St. Paul dump bodies and hoists deliver big maintenance savings:

Gar Wood-St. Paul dump bodies are structurally stronger at all critical stress points. Corner posts, running boards and full-width rear apron are integrally welded . . . tailgate is box-section reinforced. The result is a body that can take the punishment of shock loading . . . that can't warp, sag or spread even under the strain of dumping on steep grades. Yet, with all this built-in strength, excess weight has been eliminated to give you more payload capacity.

Big payloads? Sure. Just name the capacity you need and there's a Gar Wood-St. Paul dump body and matching hoist to meet it. But before you decide, check the design differences that can mean profit or loss over the long haul. You'll find that Gar Wood gives you more to bank on!

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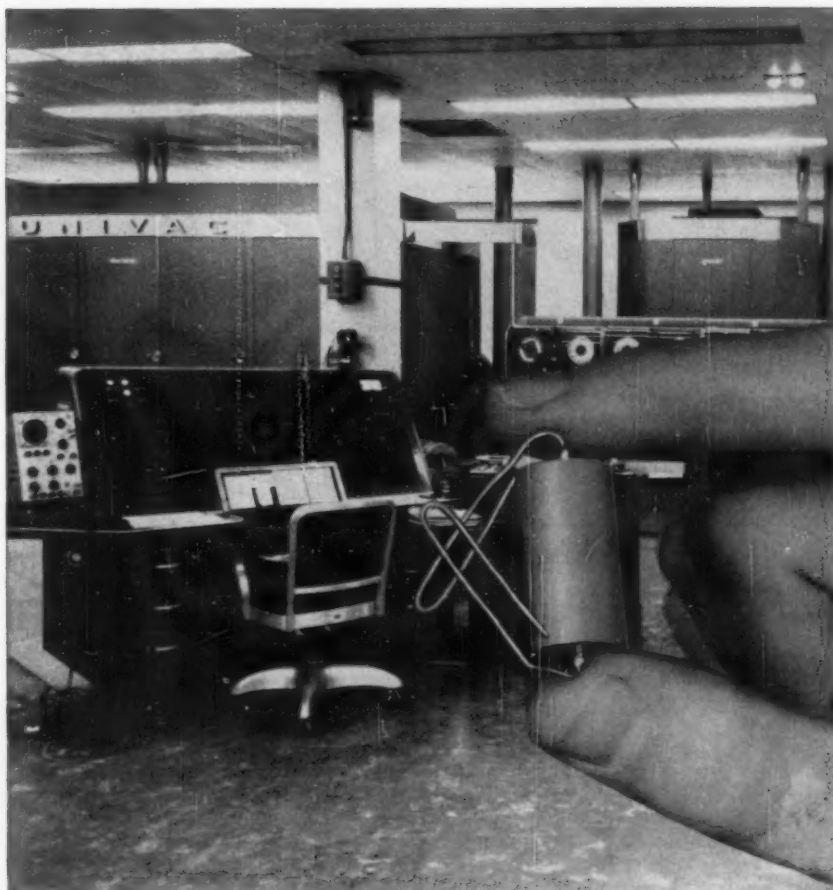


Hoists & Bodies



Ditchers





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**SOLUTION:** In a series of accelerated tests by Remington Rand, various types of capacitors were exposed to conditions more exacting than those found in normal operation of UNIVAC

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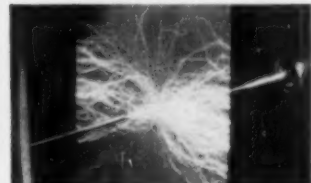
improved the performance of another component in UNIVAC Systems . . . has helped improve the performance of UNIVAC Systems themselves.

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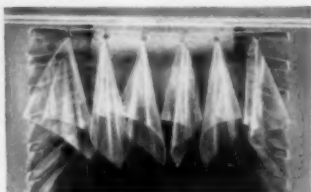
Can you use the unique combination of properties offered by "MYLAR"?



**REMARKABLE TOUGHNESS.** "Mylar" is the strongest flexible plastic film ever made . . . tough even in extra-thin gauges!



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# Combating the Asian Flu Bug

Scientists have developed an effective vaccine. The question is, will there be enough available by early fall.

**T**HERE's a grim possibility that a major epidemic of Asian flu will strike the U.S. early this fall. Already, about 11,000 confirmed cases have been reported to medical authorities in Washington.

While there is no actual emergency at the moment, based on past experiences with flu epidemics of this type, National Institutes of Health officials are convinced that these flares are the first signal of what lies ahead.

In the Far East, in areas where the Asian flu has struck, between 15% and 20% of the population have almost immediately contracted the disease. This experience, NIH feels, can be translated to the U.S. In the case of a city the size of New York, for example, between 2-million and 2½-million could be expected to come down with flu within a matter of weeks after the first cases appear. In smaller, more isolated communities, the figure could easily be swelled to as high as 50%.

- **Mobilization**—In an attempt to head off such a peril, NIH has developed a vaccine that, it believes, will be about 70% effective in fending off the bug. This week, six major pharmaceutical companies announced that they were increasing production of the vaccine by as much as 300%. In addition, the American Medical Assn. authorized a committee to fight possible epidemic conditions. And the U.S. Public Health Service set up a unit to keep tabs on outbreaks of the disease.

- **Civilians Last**—Despite the hike in production of vaccine, most civilians can't hope for protection until mid-September or early October. The armed services have a priority on the first supplies, which become available earlier this week. One reason for the delay is that it takes 60 days to manufacture and test the vaccine. This particular vaccine is made by injecting influenza virus into fertile chicken eggs (picture), then extracting and processing it after a suitable incubation period. And there is no known way of hurrying up this production-incubation period.

- **Hazards**—If the flu bug does hit the U.S., the chief hazard in many cases is that those who contract it will be run down and more susceptible to disease in general. This could mean that the severity of the illness could increase. Those in the particularly susceptible age groups (under two and over



**VACCINE** is made by injecting live virus into embryonated chicken eggs. After an incubation period, virus is extracted and processed. Final product is a liquid serum.

55) would be more prone to dangerous side effects, especially pneumonia.

Moreover, a characteristic of Asian flu is that when it strikes, it strikes quickly and without warning. This could result in temporary disruption of public services and large segments of industry—which could be even more dangerous than the disease itself. Coughing, headaches, general fatigue, and muscular pains have all been reported to precede some cases. Others have no advance symptoms prior to a sudden fever of up to 104F.

Even blood count variations cannot be used as a major diagnostic guide. The best doctors can do until general vaccination becomes possible is to isolate suspected cases and recommend the usual hygienic methods to increase the individual's resistance. Those who have had the Asian flu, it is believed, are immune for perhaps two years.

- **No Rationing**—Once the vaccine is available in quantity, there's no plan to

enforce any rationing. Many health agencies are urging people in three priority groups to get shots as soon as possible, and are asking the drug companies to try to channel available supplies to them. These groups, in order of priority, are: (1) medical, nursing, and hospital personnel; (2) key public servants such as policemen, firemen, communications workers; and (3) special risk groups such as the feeble, aged, infants, and pregnant women.

- **Clinical Relationship**—While many reports suggest that this new strain of flu may be a mutation of a more ordinary type of flu virus caused by rising radiation levels in the earth's atmosphere, NIH believes there is no ground for the assumption. Any flu virus, doctors point out, is notoriously unstable and constantly changing. Moreover, scientific evidence seems to rule out radiation as a possible causative agent.

Nor have doctors at Walter Reed



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Paint sprayed cold with high atomizing air pressure often looks like this.



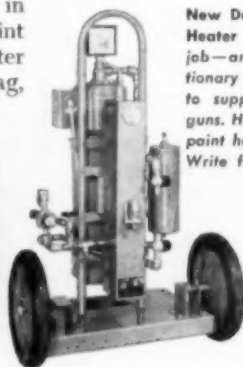
Paint sprayed hot atomizes with lower air pressure; reduces fog, saves material.

As much as 50% reduction in spraying pressure is a practical reality with DeVilbiss hot-spray method! Thinning spray material with heat permits easier atomization at far lower pressures, eliminating excessive overspray.

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New DeVilbiss Portable Paint Heater takes hot spray to the job—anywhere! Complete stationary systems also available to supply single or multiple guns. Heat-jacketed hose keeps paint hot right up to the gun. Write for Bulletin IE-1148.



Army Institute of Research and at the U.S. Public Health Service's Communicable Disease Center in Montgomery, Ala., been able to confirm reports emanating from the Netherlands that this flu bug is closely related to the virus that caused the epidemic of the 1880s. Tests of sera of persons who weathered that epidemic have not revealed antibodies when measured against the Far East virus. However, the researchers do not consider this proof conclusive, and tests along this line are continuing.

• **Low Death Toll**—Based on information gathered from areas where the Asian flu has been particularly rampant in recent months, PHS officials are confident that the death toll in this country will be low. Most of fatalities in the Far East (two per 1,000 cases) were among persons under the age of two or over 55. Normal duration of this type of flu, PHS concludes, is three to five days, followed by 24 hours of systematic fatigue. The average patient, barring complications, can be expected to resume normal activity within a week. And, unlike conditions during the epidemic of 1918—which took a toll of 20-million lives, 548,000 in the U.S.—antibiotics are available to fight secondary complications when and if they appear.

• **Drug Companies Pitch In**—Meanwhile, the drug companies are turning to in a drive to get as much preventative vaccine as possible to the public. Merck & Co., for example, plans to triple its present production capacity by the end of August. Eli Lilly & Co. is erecting two new buildings, and expects to be producing vaccine at the rate of 1-million doses per week by the end of September. And four other companies—Lederle Laboratories, Parke, Davis & Co., Pitman-Moore Co., and National Drug Co.—have been licensed to produce the vaccine. Over-all, they expect to have about 8-million cc. available by mid-September, including about 4-million cc. ordered by the military. (One cubic centimeter immunizes, but it takes 10 days to two weeks to become effective.)

• **How Much Help**—What's worrying the doctors, however, is whether it will be a matter of too much too late. "The Asian flu problem," says one country health official, "could develop into an explosive situation in any one of a number of areas overnight."

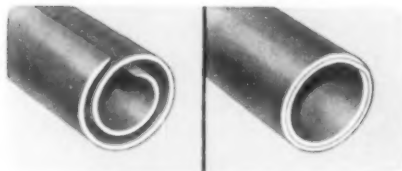
The "seeding" of many large cities has already occurred. For example, there was a mild outbreak at the Boy Scout Jamboree at Valley Forge, Pa., in July. There's no way of telling how many of the viruses hitch-hiked back to hometowns. So it's a moot question if enough vaccine will be ready in sufficient quantity for civilian use to be of much help. **END**



Double-drive Sno-Cat cruises mountain slopes near Crater Lake, Ore., at 15 mph. Even 70% grades are no problem for its specially designed tracks and smooth-sliding pontoons. Built by Tucker Sno-Cat Corp., Medford, Ore., and powered by a Chrysler Industrial Engine, this unusual vehicle provides safe, dependable transportation anywhere there's snow. One reason it's so dependable: Chrysler Corporation specifies leakproof Bundyweld Tubing for vital fuel and oil lines.



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THE Tucker Sno-Cat relies on its Chrysler Industrial Engine to power it over the deepest drifts, across rugged terrain. And Chrysler, like so many leading manufacturers, helps insure the dependability of its engines with lifelines of Bundyweld<sub>s</sub> Tubing.

Bundyweld, made by the exclusive process shown at left, is the world's only steel tubing double-walled from a single strip. Its unique physical properties have made Bundyweld the safety standard of the automotive and refrigeration industries. Today, 95% of the country's cars use Bundyweld for fuel, oil, and hydraulic lines, in an average of 20 applications each.

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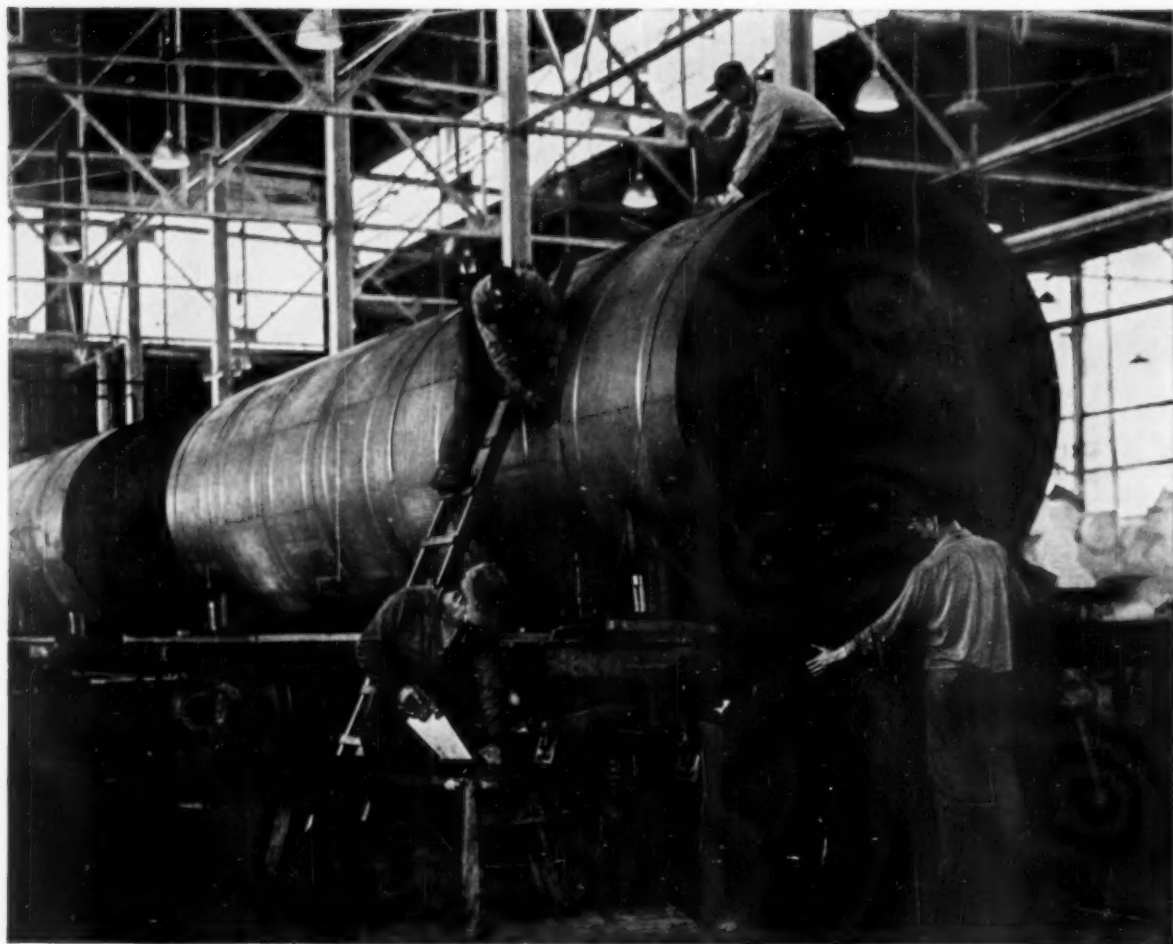


Photo courtesy Union Tank Car Company, Chicago, Illinois. Insulation hardboard supplied by Rubatex Division, Great American Industries, Inc., Bedford, Virginia

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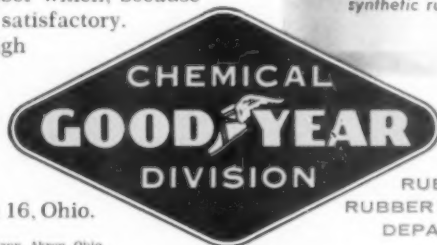
**When first introduced**, this product was made from natural rubber. But wartime shortages caused a change to synthetic rubber which, because of its uniformity, soon proved to be much more satisfactory. **PLIOFLEX** is used today because of its unusually high uniformity and consistently low moisture content.

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DEPARTMENT

# "Democracy" With a Latin Twist

Despite recent revolutions and other political violences, the "Good Neighbor" countries are showing marked political and economic progress.

**I**N THE PAST SIX MONTHS, Latin America has been breaking out in a rash of political violence and economic troubles (map, right).

In Guatemala, a palace guard killed Pres. Castillo Armas. In Cuba, revolutionary fanatics tossed bombs into Havana cafes. Colombia saw the overthrow of Dictator Rojas Pinilla. After riots over a small rise in bus fares, Chile quietly abandoned some of its anti-inflation measures.

Are these recent "incidents" a 1957 version of the same, old merry-go-round of Latin American instability?

Most experts say no. They see a new story evolving, from the Caribbean islands to southernmost Argentina.

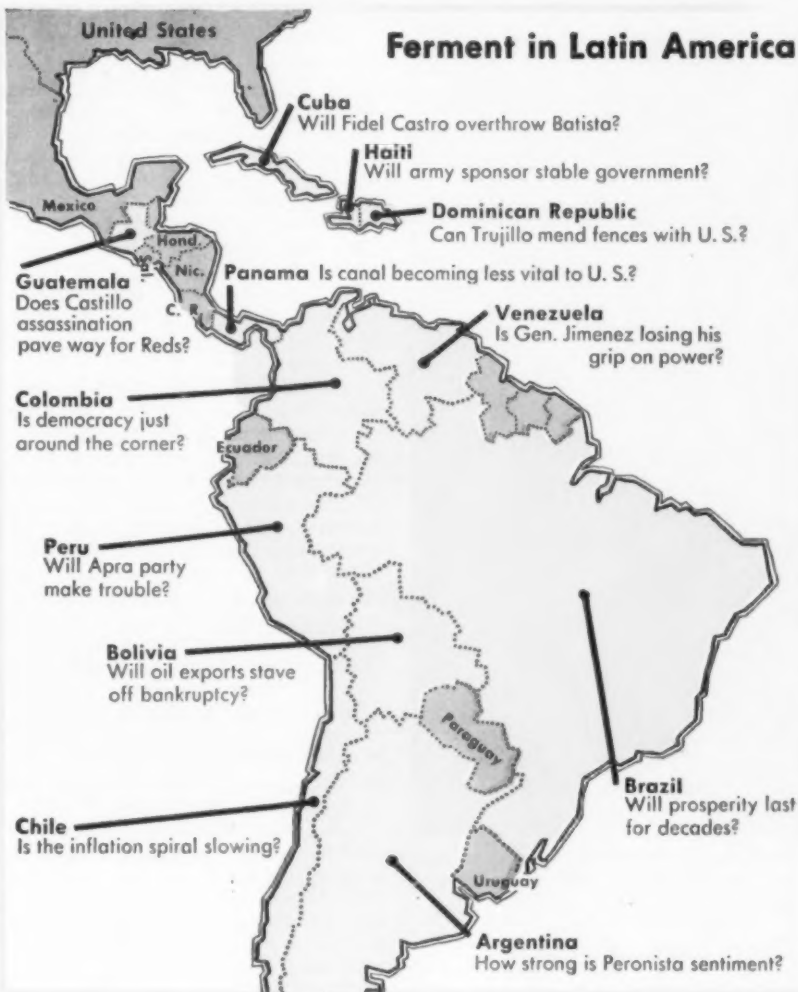
• **Off the Treadmill**—In the broadest view, Latin America seems to be getting off the treadmill of its traditional ways. It is a "growth area" making big leaps toward political and economic progress. For every jump forward, there may be a small step backward. But the net result is an advance—away from the backward conditions Latin America has lived with for centuries.

It's true that Cuba, Haiti, and the Dominican Republic—three of today's hot spots in Latin America—have blown their tops many times before. In Central America, the gun has changed governments almost as often as the ballot. And all of the 10 countries in South America—at some point in history—have lived under the cruelty of the caudillo or political tyrant.

In addition, Latin America—when you get to know it—shows more diversity than unity, more differences than sameness. It speaks mostly Spanish and Portuguese. It takes in one part of the world—best defined by saying it's most of the area south of the U.S. And it has lived under colonial rule in its earlier days. But beyond these similarities you begin dealing with 20 countries of 20 different political and economic complexions.

Thus, for every sweeping judgment on Latin American trends, you have to make a long series of hedges. You guess, but then throw in lots of qualifications.

Even so, recent events—though coincidentally "bunched together"—indicate a basic pattern. This pattern is change,



from strong-arm rule to a Latin type of democracy, from economic backwardness to a higher standard of living.

• **U.S. Stake**—The U.S. has a big stake in this change. Since the Monroe Doctrine in 1823—and particularly in the past three decades—U.S. policy-makers have worked hard to get along better with Latin America. This good will effort has stemmed from a desire to repair mistakes made earlier and to bolster the military security of the hemisphere against foreign incursions. But this effort also has come from a new interest in boosting economic development in Latin America.

U.S. businessmen have poured money into Latin America since the war. A recent survey of the Commerce Dept. puts this bluntly: In 1955, U.S. companies operating in Latin countries employed 600,000 workers that pro-

duced \$5-billion worth of goods and services.

The biggest change now taking place in Latin America is the gradual shift away from dictatorship. This does not mean—by U.S. standards—the coming of democracy. In fact, for reasons of tradition and temperament, Latin America will probably never go for the give-and-take democracy that has evolved in the U.S.

## I. Shift From Dictatorship

What the shift from strong-arm rule means, is:

• An improved mechanism—call it a channel of communication—linking the mass of poor, often illiterate people and the ruling class on top. The working classes are getting across their message to the ruling oligarchies. The



ROY R. RUBOTTOM, JR., new Assistant Secretary of State for Inter-American Affairs, faces a changing Latin America.

### (Story starts on page 99)

oligarchies, under pressure from fairly organized groups below, are trying to respond by giving the people a better deal—without losing their grip on power.

- A tendency toward benevolent government—even though one-man rule may still hold sway. Actually, the end result of this is that dictators are gradually putting themselves out of business. By raising the economic standards, they tend to create a more intelligent, vocal electorate that won't stand for dictatorial methods.

- **Fever of Progress**—In fact, economic growth in Latin America is playing a big part in bringing about the shift toward more popular government. Most Latin countries are just emerging from the feudal state, where the landowner way on top bosses the worker way down below. In the past few decades, the worker has caught the fever of economic progress. He has a real interest—for the first time—in bettering his lot.

He doesn't want to wait much longer for a better deal. He may know little about swanky, refined democratic methods for getting a hearing. But he sees something outdated in a strong-arm government that neglects his own aspirations and needs.

Behind this change in attitude are many factors, among them:

- The slow creation of a middle class. In the U.S., the middle class has been the backbone of much of the economic growth in recent years. Now, in Latin America, the cities are expanding as workers on the outskirts and on farms move in closer. Little by little, a new class of office workers, foremen, supervisors, and well-to-do merchants is evolving. And even tenant farmers are getting parcels of land that, bit by bit, will help raise their income and self-respect.

- The rapid growth of industry. The U.S. has financed industrial development in Latin America in a big way. Since its beginning in 1934, the Export-Import Bank has authorized \$3-billion worth of loans to Latin countries. Since the war, U.S. companies have invested about \$4-billion there. As a result, many of the countries are cutting imports of consumer goods and depending on their own industries to fill economic needs.

Out of all this has come a new "business spirit" in Latin countries. The rich classes traditionally put their money in land and scorned industry. Now they are backing new industry—and even encouraging sons and nephews to go into industry.

- Closer cooperation among Latin countries. Since its formation in 1948—out of the old Pan American Union—the Organization of American States has quickly put into operation its machinery for settling disputes among countries. The most recent example is the border dispute between Honduras and Nicaragua. The OAS also has done a big job in the educational and health fields. Now, this week, it is holding its first full-scale economic meeting in Buenos Aires, which will be attended by top U.S. officials including Roy R. Rubottom, Jr. (picture, left), the new Assistant Secretary of State for Inter-American Affairs.

Latin countries are also talking seriously about some kind of common market, similar to the one now starting to operate in Western Europe. Transportation and communication obstacles, bilateral agreements, and historical jealousies make the proposal for a Latin American common market a dream that won't come true for a long time. Yet the Central American countries already have put a modest common market of their own on an operating basis.

- An increase in nationalistic

feeling. Part of this stems from a new awareness of the tremendous, untapped wealth in Latin countries that must be developed. Latinos have often attacked U.S. and foreign businessmen for developing and then carrying away their mineral and agricultural wealth. But much of the nationalism now is directed at the Latin ruling classes who frequently—as Latin people see it—do not handle resources in the best national interests.

## II. The Years of Feudalism

To understand the impact of these changes, you have to look into history.

From the 16th Century onwards for roughly 300 years, Latin America lived under the weight of Spanish and Portuguese domination. Spain, in particular, simply transplanted its own feudal system to Latin America. Latin independence came relatively late—at the time of the liberators, Simon Bolivar and San Martin, in the 19th Century. For many countries, full-fledged independence—as exists now—came even later.

By contrast, the U.S. got its start from British settlers with a tradition of democratic rule. There was a respect for orderly processes of government. And compared with Latin America, the U.S. went through a relatively short colonial period.

Geography got in the way of any kind of Latin American unity. Communication—even up to fairly recent years—did not exist to any extent between Latin countries. The areas along the Atlantic kept up close ties with Europe. And European emigrants in the latter part of the 19th Century flocked to such countries as Brazil and Argentina, bringing with them economic advances. On the other hand, such countries as Peru and Bolivia felt cut off from civilization.

- **Power Groups**—Out of the conquistador tradition grew the tradition of the caudillo—rule by force. Politics consisted mainly of clashes between the three power groups—church, landed aristocracy, and the army. The over-all population, in most cases, saw little difference between one group or another at the top.





















What added trouble was the splintering of political groups into tiny cliques. In the U.S. and northern European countries, politicians have usually tried to find a common ground for agreement. In Latin countries, politicians have been more volatile and individualistic—and have formed parties representing every shade in the political spectrum.

Thus, as Latin observers point out, the army has often served a useful purpose in Latin America in keeping order. The colonels and generals have used brutal methods when in power. But they have frequently acted as a medi-



# Ruling Latin America — Who and How

Since the 1820s, some Latin countries have replaced Spanish and Portuguese colonialism with fairly stable government and sound economic policies. But strongarm rule—in many countries — reflects the continuing gap between a rich oligarchy and the masses of poor people. This table gives a rating of each country—extracted from such factors as political control, army power, upcoming elections, inflation, and economic progress, judged against past years.

		Prosperity and economic progress noticeable Political situation generally stable Governed by dictator or junta		
CUBA		●	●	●
Gen. Fulgencio Batista				
DOMINICAN REPUBLIC		●	●	●
Gen. Rafael Leonidas Trujillo				
HAITI		●		
Gen. Antonio Kerekou				
MEXICO			●	●
Pres. Adolfo Ruiz Cortines				
COSTA RICA			●	●
Pres. Jose Figueres				
EL SALVADOR			●	●
Pres. Jose Maria Lemus				
GUATEMALA				●
Pres. Luis Arturo Gonzalez				
HONDURAS		●		
Maj. Roberto Galvez Barnes Col. Hector Caraccioli				
NICARAGUA		●	●	●
Pres. Luis A. Somoza				
PANAMA			●	●
Pres. Ernesto de la Guardia, Jr.				
		Prosperity and economic progress noticeable Political situation generally stable Governed by dictator or junta		
ARGENTINA		●		
Gen. Pedro E. Aramburu				
BOLIVIA		●	●	
Pres. Hernan Siles Zuazo				
BRAZIL			●	●
Pres. Juscelino Kubitschek				
CHILE			●	
Pres. Carlos Ibanez				
COLOMBIA				●
Gen. Gabriel Paris				
ECUADOR			●	●
Pres. Camilo Ponce				
PARAGUAY		●	●	
Gen. Alfredo Stroessner				
PERU			●	●
Pres. Manuel Prado				
URUGUAY			●	
Pres. Arturo Lezama				
VENEZUELA		●	●	●
Gen. Marcos Perez Jimenez				

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ing force in helping bridge the gap between an old and new government. In some cases, they have saved a Latin country from sheer anarchy.

• **Helping Hand**—Closer contact with the U.S.—“The Colossus of the North”

—helped pull Latin America out of its corner and into the open. The first move was the Inter-American conference held in Washington in 1889. Then came the period straddling World War I when U.S. and European in-

vestors began putting money into Latin American utilities and railroads. This outflow of money to Latin countries stemmed—in a large part—from the fact that rich Latin families cached their own money in Europe or invested in

when it's time to

# MOVE!



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102 *Business Abroad*

**"... Latinos complain that the U.S. has neglected them since World War II ..."**

STORY starts on p. 99

real estate, leaving basic economic development to outsiders.

Washington's policy toward Latin America soon got the label "dollar diplomacy." It was aimed primarily at protecting U.S. business and investments in Latin America. Thus, during the 1910s and 1920s, both the Caribbean Islands and Central America often smarted under the direct intervention of U.S. Marines.

• **New Line**—The big switch came in the early 1930s with the "Good Neighbor Policy." In 1933, Pres. Roosevelt and his policymakers gave their signatures to the policy of non-intervention. That is still U.S. policy toward Latin America—though the State Dept. likes to call it a "good partner" or "good faith" policy. At the working level, the policy consists of technical aid through the International Cooperation Administration, military aid to 12 Latin countries, grant aid (to Haiti, Guatemala, and Bolivia), official backing for Ex-Im and World Bank loans, and good will trips around Latin America.

Latinos complain that the U.S. has neglected them since World War II. Some U.S. officials would agree with this.

But Washington's interest in Latin America was so great during the 1930s that it was somewhat lopsided. Now—with its position as one of the world's great powers—the U.S. is giving Latin countries about as much economic help as it can, and as much as the countries can absorb. If there is any legitimate criticism, it's that the U.S. tends to "take Latin America for granted." And—observers note—Latinos are extremely sensitive to U.S. attitudes.

### III. Key to the Future

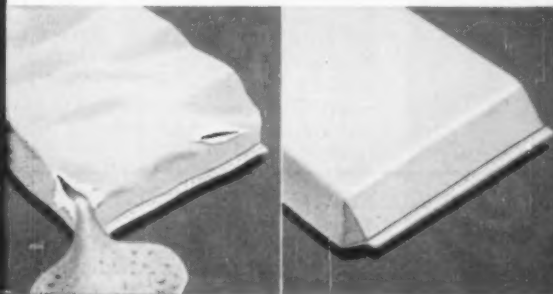
Why is Washington generally optimistic about Latin America? Take a quick look around, and you see why:

In Argentina, ex-Dictator Juan Peron is out. From his residence in Venezuela, Peron tried to make the recent election to the constituent assembly the first stage of a comeback. Peron sympathizers predicted 5-million "blank" ballots for the ex-dictator. But he got—at most—some 2-million. Beyond this, the elections came off smoothly, without major disturbances.

Viewed against Argentine history, the relative quiet during the two decades before Peron was a "honeymoon." Actually, Peron fitted right in with the country's tradition of iron-handed rule. Thus, present moves to guide Argentina

BUSINESS WEEK • Aug. 17, 1957

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this ↘ and this ↘



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toward more democratic government are a big change—for the better.

The provisional government's expropriation of CADE, the big Belgian and Swiss utility, shocked U.S. businessmen. Businessmen also have criticized the government's failure to let in foreign companies to help develop Argentina's oil resources. But several experts firmly predict that within two or three years, Argentina will change its nationalistic policies—at least on oil development.

"Brazil's economic progress looks almost inevitable," says a top U.S. official. The country's gross national product is one-fourth of the entire GNP of Latin America. Rampant inflation doesn't seem to be holding back big U.S. investments in Brazil. Despite growing nationalism, Brazil gets along well with the U.S. The army has a lot of power—but it uses the power mostly to smooth the transition from one elected government to another.

Colombia's Liberals and Conservatives have made up. They joined forces to kick out Dictator Rojas Pinilla with a minimum of shooting. The five-man junta now running the country until election time claims it has stopped large-scale smuggling of coffee, Colombia's main export earner. Most guerrilla terrorism in outlying areas has stopped. Colombianos optimistically talk about the "return to democracy"—with Conservative leader Guillermo Leon Valencia as the next president.

Venezuela is too prosperous to make politics the big issue. Army factions may make trouble for Gen. Jimenez, the iron-handed dictator. However, the oil boom is the No. 1 topic in Caracas. U.S. business relations with the government are excellent. As one observer says: "Creole and the other oil companies have made sure the Mexican expropriation of 1937 won't happen again by following a thoroughly enlightened policy."

In the Dominican Republic, dictatorship may be on the way out—in the long run. Gen. Trujillo's alleged murder of Dr. Jesus de Galindez, Dominican exile living in New York, and Gerald Murphy, a U.S. pilot working in the Dominican Republic is merely the latest chapter in a long story of Dominican violence. Objective observers contend, however, that Trujillo has done an amazing job raising the country's standard of living. This ultimately may bring a trend toward more democratic government.

Haiti is trying to throw off feudal, corrupt government. The tempest during the past year has stemmed from the desire of the mass of poor Negroes to get rid of a government traditionally run by rich, corrupt mulattoes. Stable government has never existed in Haiti. As late as 1941, a U.S. fiscal expert was

living in Haiti to help the government supervise the customs system. The brightest sign recently—as one observer puts it—is "the steady succession of better and better men at the helm." This week the military junta is laying plans for new elections.

In Cuba, Pres. Batista is in trouble—but not the economy. Since 1952, over \$750-million—mostly from the U.S.—has gone into the island. Batista has dipped his fingers into some of it. But between sugar, the old standby, and newer development such as oil, nickel, and cobalt, the island is seeing boom times.

Rebel leader Fidel Castro is trying to overthrow the government. So are the traditional opposition parties. But serious students of Cuban politics don't see any assurances of "better government" under Castro or other men than under Batista.

Guatemala isn't heading for Communism again. In 1954, Col. Castillo Armas with U.S. backing toppled the Communist-run government. The Arbenz government had been one of the few major Communist threats in Latin America. Under Castillo, the country made progress toward some democracy and better conditions for workers and Indians. Some United Fruit Co. land was parceled out. Then came the assassination of Castillo. But the country took it quietly. The real question is how the army will act in the months ahead.

Panama's relations with the U.S. seem to be smoothing out. Last fall, Panama raised a fuss over U.S. jurisdiction in the Canal Zone. It was mostly an emotional reaction to Egypt's takeover of the Suez Canal. Panama may get hot under the collar again. But military experts say the canal is becoming less vital to hemisphere security because of missile developments.

In Peru, Pres. Odría's dictatorship has ended. His eight-year rule helped economic development—but clamped down on personal freedom. Manuel Prado, the new president, is allowing APRA—Peru's big, left-wing, anti-Communist party—to operate in the open. The Apristas have broad backing among the working classes. They may make a grab for power before the 1962 elections.

Bolivia is trying to stabilize its politics and economy. The leftist MNR—National Revolutionary Movement—took over in 1952. U.S. and foreign investors howled when it nationalized the tin mines. Since then, the country has gone through a stormy period—with tin production falling off. Now the government is letting U.S. companies share in oil development. If political violence doesn't get in the way, Bolivia—backed by substantial U.S. aid—should begin to see better times. **END**



# The Case of the Red Gold Pile

The mystery isn't so much why Russia is hoarding, but how much its mines are producing.

**R**USSIA's Communist Boss Nikita Khrushchev (picture) this week was barnstorming East Germany—proving once again that he is a maverick even among Communists.

His direct appeals to German workers are a far cry from Stalin's aloof dictatorship. Nor is Khrushchev simply unorthodox in his approach to propaganda. In 1955, he took a big gamble in trying to grow grain on virgin lands in central Asia (BW—Mar.26'55,p142). Now he has rammed through a "decentralization" of the Soviet industrial bureaucracy that puts local management of industrial enterprises under party hacks.

Western economists are speculating whether Khrushchev—now that he has almost full sway in the Soviet hierarchy—might not tamper with that most sacrosanct of Russian economic policies, Moscow's traditional gold hoarding. For, ironically, during the past 30 years Soviet gold policy has been handled in a relatively conservative manner. That's in spite of Lenin's denunciation of gold's use in capitalism, of his famous quip that under Socialism it would be used to build latrines.

- **24-Carat Secret**—In a land of mysteries, Soviet gold is one of the most mysterious. As one observer put it this week, it is fantasy even to try to estimate production. The Soviet government stopped publishing any figures in 1936. The International Monetary Fund estimated it at \$150-million annually in 1948, but hasn't tried since then. Our own Federal Reserve System used to try to check on Soviet gold production and sales, but has pretty much turned the job over to the Central Intelligence Agency.

Russian gold production—mainly located in Siberia—has been used largely to build a huge hoard. In 1948, IMF estimated the hoard at \$2.7-billion. Today, it probably totals between \$5-billion and \$7-billion, the largest government reserves outside the U.S.

The Russians have sold gold in the West out of current production to balance their payments with the non-Communist world. And they have used the famous "Moscow gold" to finance subversion and espionage. But the bulk of production has been stored up, with utmost secrecy, apparently against some rainy day in Communism's future.

- **Speculation**—Early this year the Russians stepped up their gold sales in the West. There was considerable specula-



BOSS Nikita Khrushchev might tamper with the Soviet's traditional gold-hoarding policy.

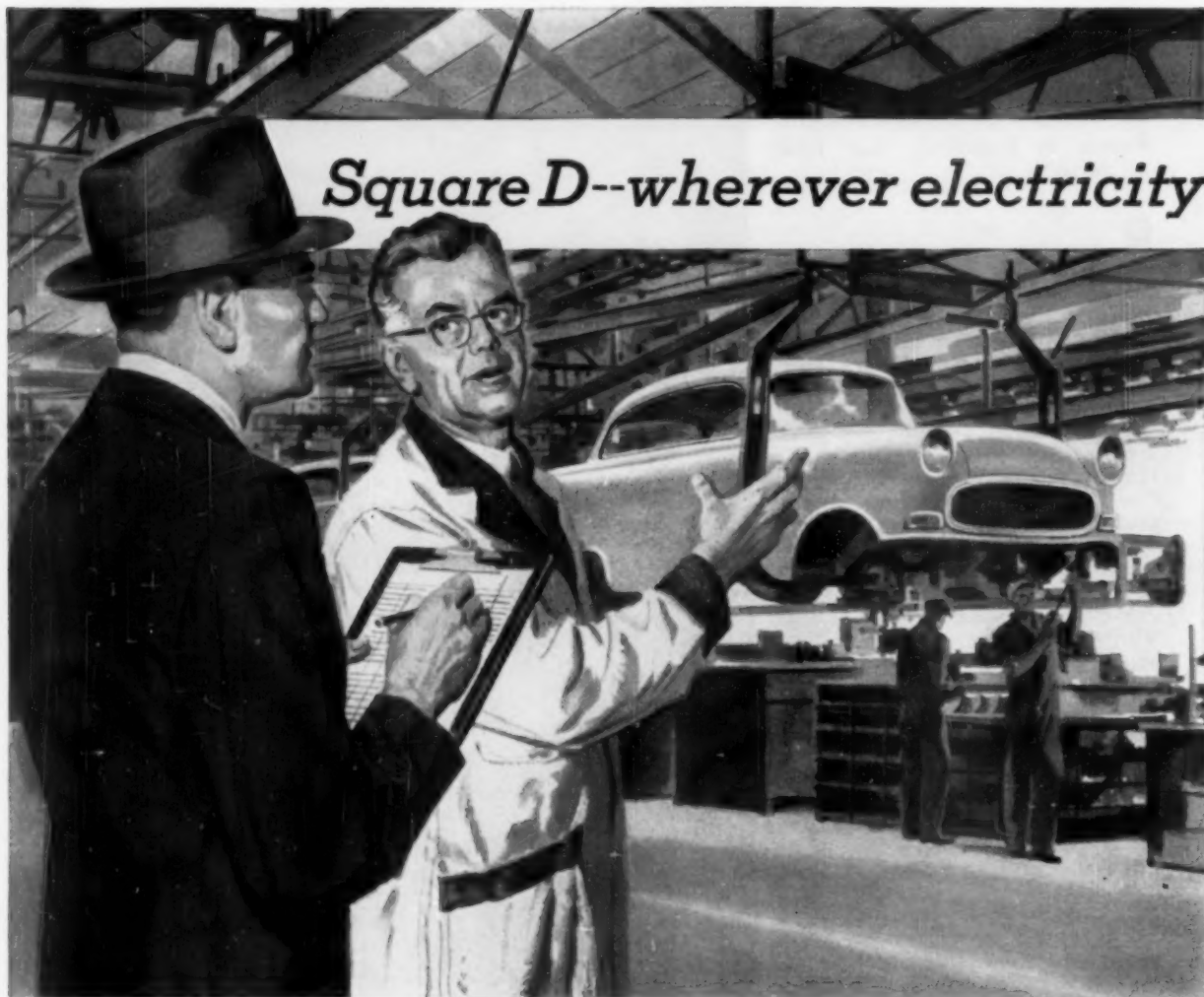
tion in London and Zurich, the Russians' principle markets for their gold in the West, that a change of policy might have been undertaken. But after May, sales dropped off. Now it's generally believed the Russians were only trying to buy unusually large quantities of transferable sterling—the currency the Russians use to settle trade debts of the Communist world.

Still, the \$5-billion to \$7-billion hoard is there. Western observers guess that it must present a temptation to a gambler like Khrushchev. If his new politico-economic policies should aggravate Russia's economic crisis still further, he could, conceivably, dump large amounts of gold in the West as payment for imports. Or, the Communists could play a murderous game in the West by dumping vast sums of gold on the market. For example, if the Russians bought large quantities of French francs, then dumped them at a discount, it could wreck the French economy, which is now in the throes of

a financial crisis (BW—Aug.10'57,p29).

- **Unlikely**—Most Western observers believe there's not much chance of either of these policies being put into practice. They see Khrushchev as still surrounded by economists who are steeped in conservative gold policy. Furthermore, as a Russian economist pointed out recently in an official Soviet publication, gold has served the Russians as a method of settling their debts with the outside world. It has financed imports when Soviet exports couldn't supply enough foreign exchange. Any attempt to disrupt the world gold market would also hurt the Russians, one of the world's largest gold sellers.

- **Still Climbing**—Since the IMF made its 1948 estimate, Soviet gold production has undoubtedly climbed. Soviet journals and the Russian radio have referred to modernization of mining methods in the two principal fields—both in the Yakutsh Republic in Central Siberia. The greatest part of Soviet production is generally believed to come



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## DOWN-TIME...\$1000 PER MINUTE!

• One of the country's leading automobile builders faced a real problem. As large, heavy body parts traveled along the conveyor line, they made very "rough" contact with the mechanical limit switches which controlled a series of operations. Even the most sturdy, heavy-duty switches broke down under the beating. The result—excessive "down-time" which was hurting to the tune of \$1,000 per minute!

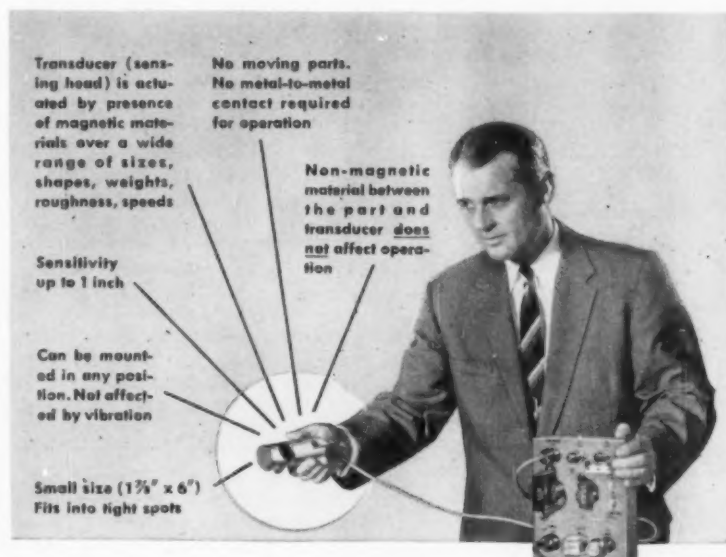
After many huddles with the company's engineering staff, Square D designed and built the answer—a **PROXIMITY LIMIT SWITCH** which operates *without physical contact*. It not only solved the problem which started its design—it is solving scores of similar problems throughout all industry. Another example of the kind of teamwork which helps America *work better and live better—electrically!*

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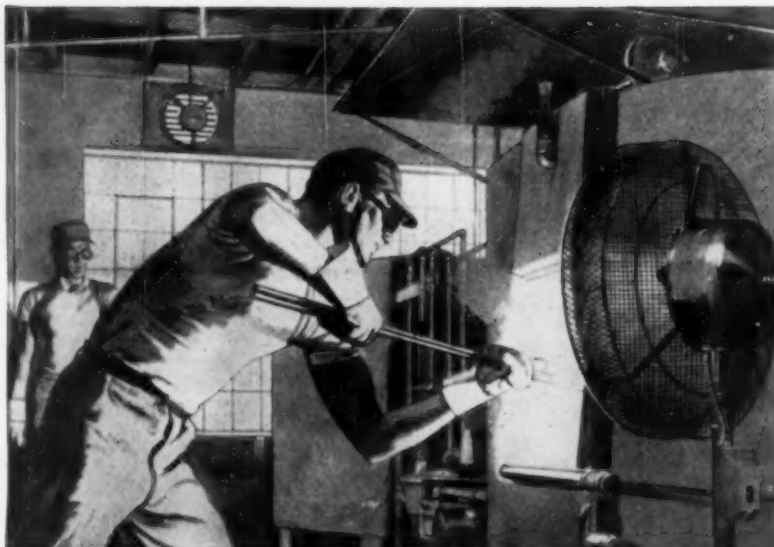
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LENA gold fields, a rich source in pre-revolutionary days, today adds only a drizzle.

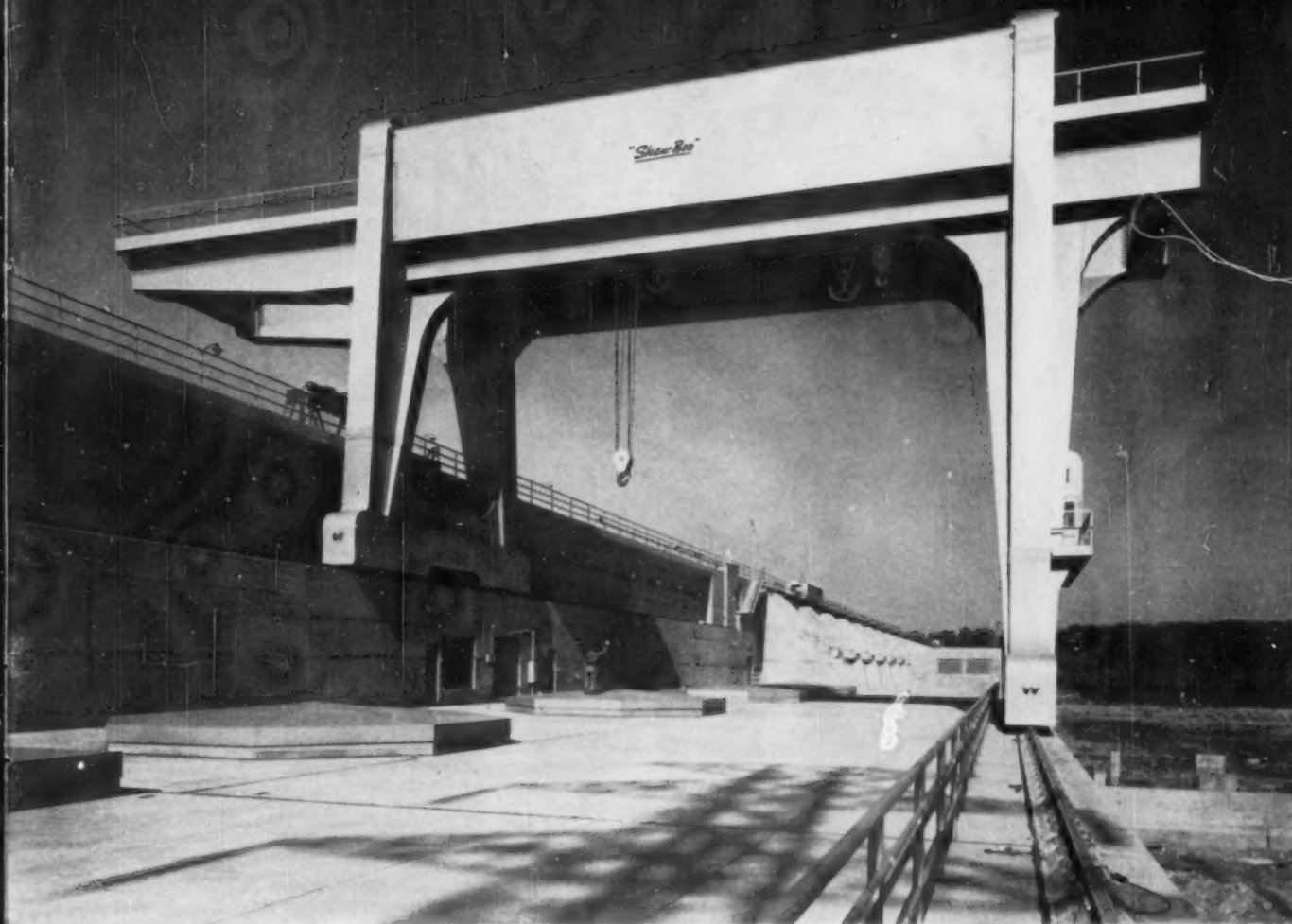
from the Kolyma fields, "the Soviet Klondike," on the Sea of Okhotsk. But some production is continuing at the pre-revolutionary gold mines further northwest on the Lena River (picture, above).

The biggest change in the goldfields since Stalin's death is that the skilled tasks are now performed by free labor instead of by slave labor. Whether this innovation will increase productivity and lower costs, as Kolyma's boss K. V. Vorobiev has stressed in public statements, remains to be seen. German observers believe it has already resulted in lower production. You get some idea of Vorobiev's cost problems from the fact that three lb. of bread in the isolated wilderness where the fields are located costs the equivalent of an ounce of gold.

London gold dealer Samuel Montagu—who in the past has acted as agent for some Soviet gold sales to the Bank of England—recently estimated Soviet gold production at 10-million oz., or about \$350-million annually. Franz Pick, publisher of Pick's Currency Yearbook in New York, has put the figure higher at 13-million oz.—based he says on direct reports from the Russians. However, under no conditions is it likely that Russian production has surpassed the Union of South Africa, the Free World's prime producer, whose mines were operating for the first three months of the year at the annual rate of \$575.68-million. (South African production is up because of remilling of gold ore byproducts for uranium production.)

• **Birth of a Rumor**—It's this report of a spurt in Soviet production that has started new speculation about Soviet





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gold policy. Since domestic use of gold in the Soviet Union is negligible, production either goes into the mounting hoard or into foreign sales. Since May, 1954, a Soviet citizen can buy gold but must pay 2,800 rubles a fine ounce (\$700 at the official rate of exchange).

There is no official minting—although there are persistent reports that foreign gold coins that are no longer in circulation are minted for sale on the foreign market. These coins are a way for the Russians to operate in the West without revealing themselves.

• **Sales Pitch**—Just how much gold the Russians sell remains as much of a mystery as how much they produce. The Bank for International Settlements in Basle, Switzerland, estimates the Russians sold \$75-million in 1953, 1954, and 1955, but puts the figure for 1956 at \$140-million. (Some observers put the 1953 and 1954 sales at a higher figure.) These are the official Russian sales to Western-licensed traders and state banks. Most observers doubt that total Russian sales have averaged much more than \$200-million annually over the past three years.

In effect, Russian sales seem to have just about covered what is known of their balance of payments deficit. To a considerable degree, Russia's trade deficit depends on grain sales to the West. But last year the Communist bloc—because of the emergencies in Poland and Hungary—had to make large grain purchases in Canada. To cover these, Moscow sold \$56-million in gold to Britain for transferable sterling to pay the Canadians. Official Soviet gold sales last year probably were about 4.3-million oz., which just about covered the Soviet Union's 1956 trade deficit of about \$155-million.

• **The Villains**—The Soviet press complains bitterly that the U.S. "monopolistic" gold policy exploits the gold-producing countries by not paying more than \$35 per oz. for fine gold. Moscow argues that the purchasing price of the dollar has dropped by 40% to 50%, and therefore gold prices ought to be raised.

But there's no indication that the Soviet government is willing to use gold to create havoc in European currencies. Many such opportunities were presented to Moscow in the past. The fact is that the Kremlin never used them.

The mystery of Soviet gold, then, is more a question of the size of production and the hoard—not how it could be used. If and when Khrushchev starts using the Russian hoard to buy consumer goods in Western Europe—something the West might welcome for domestic economic reasons—it would be a clear indication that the Soviet economic climax had reached a crisis. It would not be a time to worry about the blow to Western economies. **END**



Blaw-Knox steel forms completely adjustable for depth, slope and thickness are placed by cranes. Concrete is then poured through doors on the front face of the form. After concrete has set the form is removed and used over again, cutting field labor and engineering.

## **BLAW-KNOX makes what it takes —to slash concrete construction costs**

Down along the banks of McKellar Lake near Memphis, one of the country's largest electric generating stations is under construction. When completed Memphis station will be capable of generating more electric power than the St. Lawrence Seaway. Shaping the huge concrete substructure required some of the largest steel forms ever built. They were custom designed and built by Blaw-Knox for water intake, circulating and discharge tunnels as well as a retaining wall 1,684 ft. long and 41 feet high.

By using Blaw-Knox steel forms, the contractor was able to cut his forming costs 40% over the use of other materials because only two sets of forms were needed. As concreting progressed, the forms were removed and used again and again.

Important advances like this have made Blaw-Knox

steel forms a leading tool on concrete construction projects of world wide interest. They are being used on the St. Lawrence Seaway, The Mackinac Bridge, and the third tube of the Lincoln Tunnel. Soon they will go into action on the Delaware Aqueduct project of the New York City Board of Water Supply and the Air Force Missile Test Center at Patrick Air Force Base in Florida.

Designing and fabricating steel to the exact configurations of a huge powerhouse substructure, bridge, tunnel or missile test base is just one of many engineering advances spearheaded by Blaw-Knox to help industry apply new materials and techniques. For an informative look at the Blaw-Knox products and services for the construction, metals processing and utility industries, write for a copy of "This is Blaw-Knox."



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# In Business Abroad

. . .

## World Bank Studies Role of Angel In Development of Nuclear Power

The World Bank is quietly moving into the nuclear power field. An agreement to cooperate with the Italian government in studies aimed at building a 150,000-kw. nuclear reactor in southern Italy is considered only a beginning. Both the British and the Japanese are talking informally with the bank about nuclear power.

A decision on the British deal may come soon; the Japanese project would follow the pattern it sets.

Financing nuclear power is a ticklish field for the bank. In the past, it has concentrated its energies on underdeveloped countries. But it's the industrialized countries—theoretically less in need of the bank's help—that are likely to build nuclear power plants first.

. . .

## GM Awaits New Delhi's Blessing On Deal to Make Trucks in India

General Motors, which withdrew from India when the government demanded a phased program leading to an all-Indian-built car, may be on its way back into the market.

An agreement between GM and the Birla-owned Hindustan Motors for manufacture of diesel trucks has been presented to New Delhi for government approval. The trucks would be manufactured along designs of the Chevrolet or the British GM Bedford, depending on which a one-year trial proves better for the market. A phased program would aim at producing at least 85% of all parts in India by the end of a four-year period.

There seems to be one big hitch to the program: Hindustan Motors already has an arrangement with Studebaker. Unless Studebaker is prepared to waive the rest of its contract, Birla would have to get a government go-ahead for a greatly expanded program. The government's tariff commission, investigating the Birla-Studebaker arrangement, has been quite critical of it. That may speed GM's re-entry. GM has reportedly offered to give Hindustan Motors credit—either through deferred payment or stock participation in the Indian company.

. . .

## U. S. and Latin America Set to Forge Last Link in Inter-American Highway

The "Darien Gap" between Panama and Colombia is the only major uncompleted portion of the Inter-American Highway.

Last week, at a convention in Panama, U.S. and Latin American delegates started the wheels turning for completion of this section of highway. Advance technical

studies will cost around \$1.4-million. The construction bill will run to around \$100-million.

The major hitch is financing. So far, the U.S. has covered two-thirds of the highway's cost. But it's balking at further outlays.

. . .

## Projects Launched by U. S. Companies Boost Economic Health of Philippines

U.S. companies are giving a big boost to economic development in the Philippines. Among the latest moves:

- Standard-Vacuum Oil Co. will build a \$35-million, 25,000-bbl. per day refinery on the west coast of Bataan.
- Firestone Tire & Rubber Co. is putting up a \$6-million tire factory south of Manila and developing a sizable rubber plantation to supply the factory. Goodrich also has a rubber plantation project costing \$1.5-million.
- General Milk Co., subsidiary of Carnation, will soon start production of canned milk in a new \$3-million plant. Two other milk companies primarily owned by U.S. interests have plans for canned milk production.

. . .

## British Company Exporting Tractor To Compete in North American Market

A British manufacturer, David Brown Industries, Ltd., is producing a tractor designed "to meet the requirements of the North American market." Through a subsidiary, David Brown, Inc., San Leandro, Calif., the company has consigned the first models to California and Mexico.

Brown's "903" tractor is a tricycle, row-crop machine that has already undergone field testing in California. It is made at the David Brown factory near Huddersfield, Yorkshire.

. . .

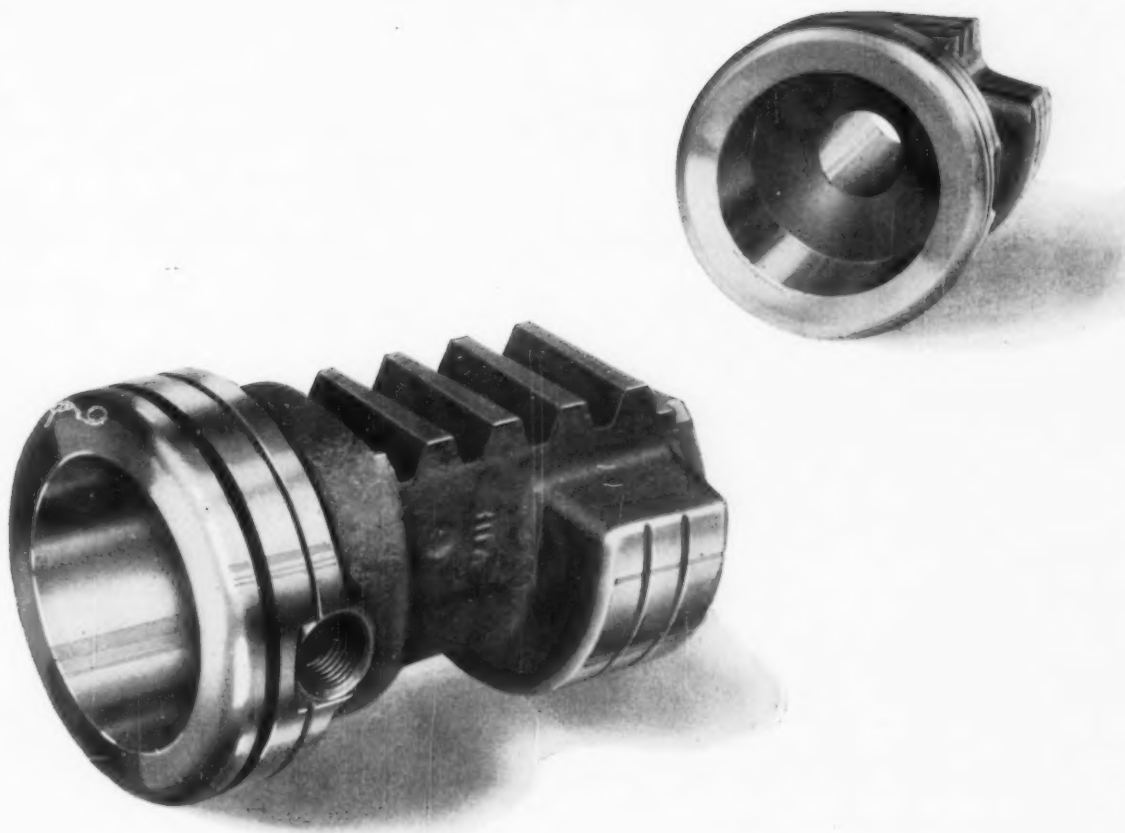
## Business Abroad Briefs

**Japanese licenses:** RCA has proposed to the Japanese government that local manufacturers produce radios under license for Southeast Asian and Latin American markets. . . . Mitsubishi Heavy Industry (Reorganized), Ltd., has begun delivery of 4,140 Japanese-built Jeeps to Japan's "Self-Defense Forces" under a license from Willys-Overland Export Corp.

**Foreign subsidiaries:** Reichhold Chemicals-Beckacite, S. A., French affiliate of Reichhold Chemicals, Inc., has offered 8,000 shares on the Paris Bourse, its first issue. . . . Ranco, Inc., the Columbus, Ohio, refrigerator controls manufacturer, has organized Ranco Italiana, S.p.A., an Italian affiliate to begin manufacturing operations this fall.

A joint Japanese-Canadian steel mill for British Columbia may be in the works. Shigeru Kawada, head of Japan Steel Tube Co., returned from Canada to Tokyo last week with a proposal similar to a Japanese-Brazilian project now being built.





## **TOOL LIFE SOARED FROM 25 TO 750 PIECES WITH ARISTOLOY LEADED**

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Excessive tool breakage was running into hundreds of dollars per month for a large automobile parts manufacturer. On 2.17" ID counterboring operation of this forging made from A.I.S.I. 5120, chips were long and continuous. They wrapped around the tool, fouling it and causing premature tool failure. Tool life averaged only 25 pieces per tool.

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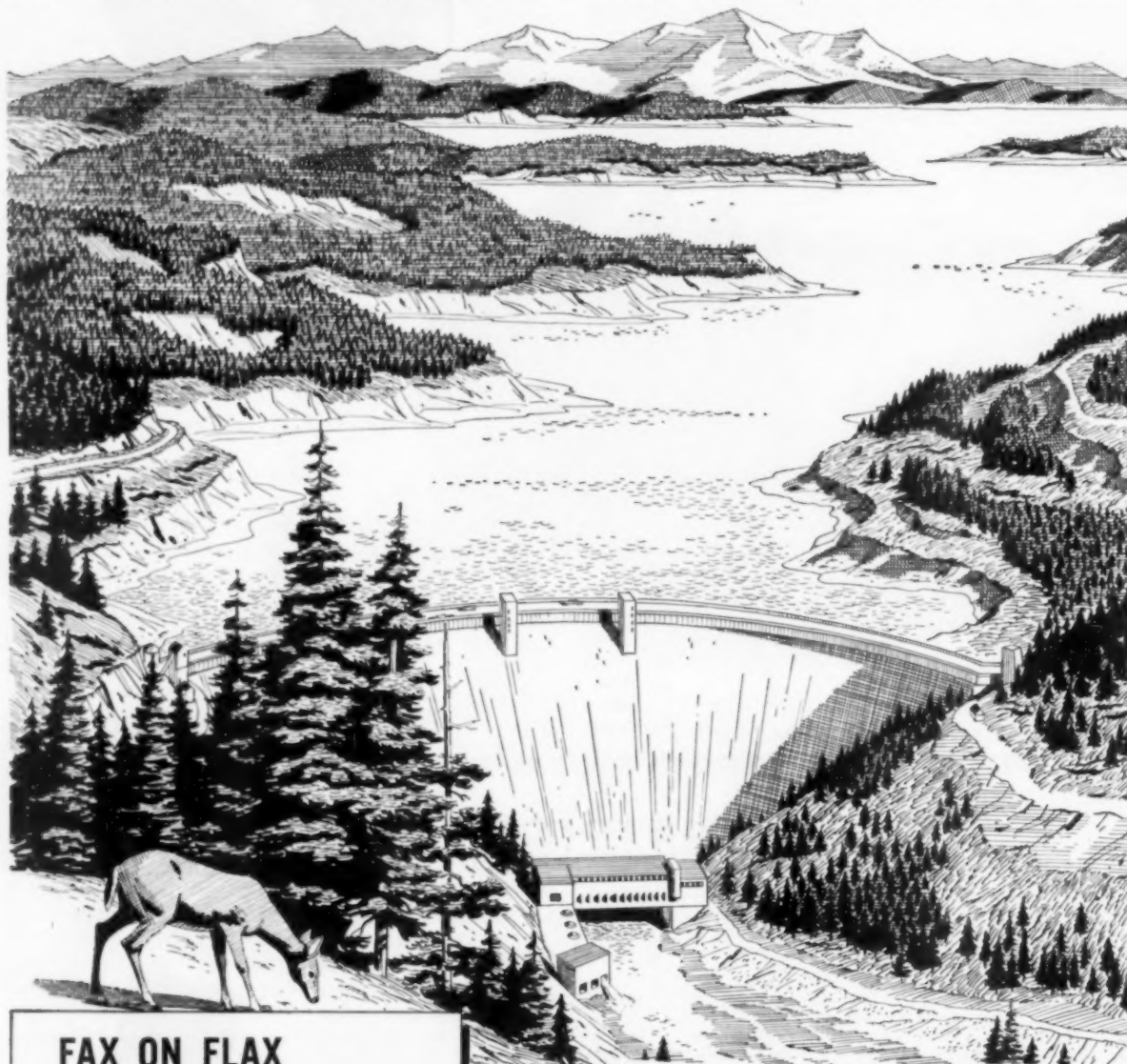
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Write E. N. Duncan, Director, Industrial and Agricultural Development, Great Northern Railway, St. Paul 1, Minnesota.



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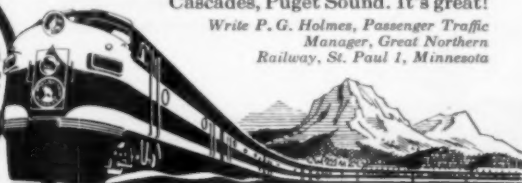
1956 flax crop totaled 48,712,000 bushels and North Dakota and Minnesota alone raised 83% of this total. North Dakota leads in barley production too; while Minnesota is the third largest corn state. Grain is one of the major crops carried to market by Great Northern. Our know-how can help you.

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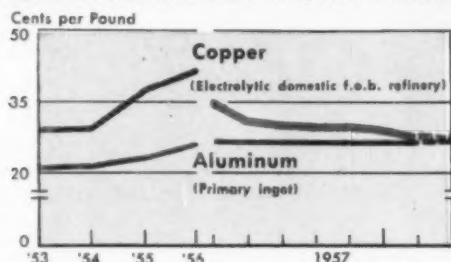
Write P. G. Holmes, Passenger Traffic Manager, Great Northern Railway, St. Paul 1, Minnesota



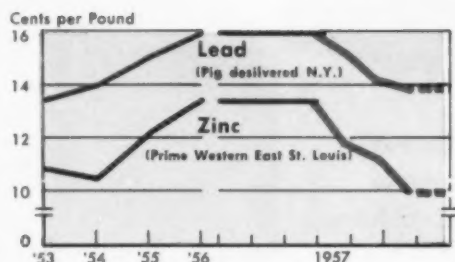
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## FINANCE

### How the Recent Drop in Most Nonferrous Metal Prices ...



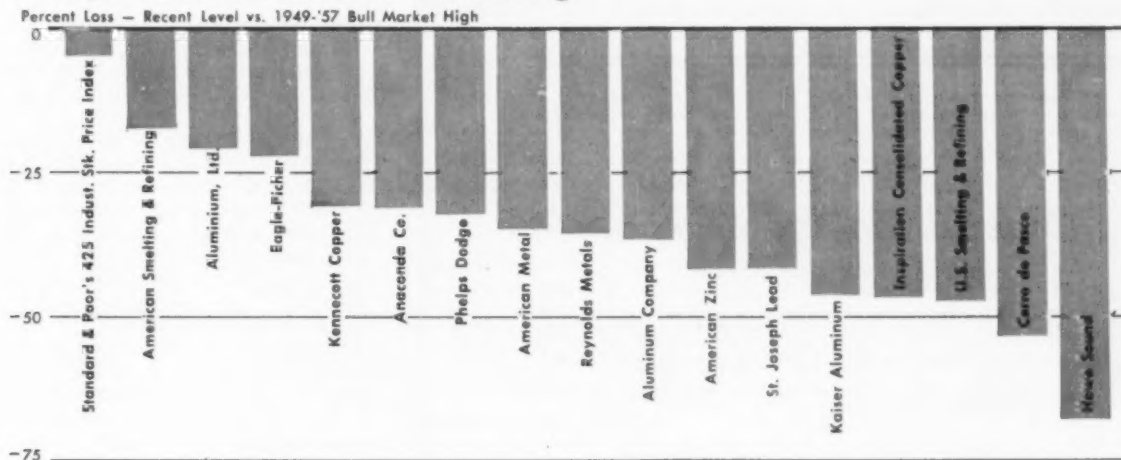
Data: E&MJ Metal & Mineral Markets; BUSINESS WEEK Est.



### ... Has Hit Trade Earnings ...

Copper				Aluminum			
		Per Share Earnings First Half				Per Share Earnings First Half	
	1957	1956	Change		1957	1956	Change
Insp. Consol.	\$1.65	\$4.33	-61.9%	Alcoa	\$1.79	\$2.31	-22.5%
Kennecott	4.56	8.24	-44.7	Kaiser Aluminum	0.97	1.44	-32.6
Phelps Dodge	2.79	5.12	-45.5	Reynolds Metals	1.60	2.26	-29.2
<b>Smelting &amp; Refining</b>				<b>Lead and Zinc</b>			
American Metal	0.73	1.21	-39.7	American Zinc	0.76	1.30	-41.5
American S&R	2.14	3.70	-42.2	Howe Sound	0.04	0.85	-95.3

### ... and Sent its Shares Plummeting



## Metals Glut Turns Industry Glum

As prices slide and demand falters, most nonferrous metals are in oversupply. The industry's earnings are down, and its only short-term hope is an upsurge in the economy.

**A** GLANCE at the sad recent record of the metals merchants (charts, above) shows the fiscal havoc that can result in these days of high operating costs when prices drop and demand softens simultaneously.

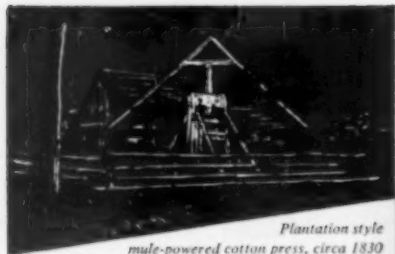
Most nonferrous metals this year have been in acute oversupply. This has driven prices of copper, lead, and zinc downward to around their 1953 levels.

• Just last week, a cut of 3¢ per

lb. in the producers' price for copper—the sixth reduction in 13 months—brought the price to 28½¢ per lb. Early this year, copper was selling at 36¢ per lb.; a year ago it hit its top price since the Civil War—46¢ per lb. (in the gray market, it was even higher).

• The current price for lead in New York is 14¢ per lb.; compared with the 16¢ per lb. price maintained for some time until earlier this year.

• Zinc is now selling at 10¢ per



1957

## Continental Pioneered Mechanization

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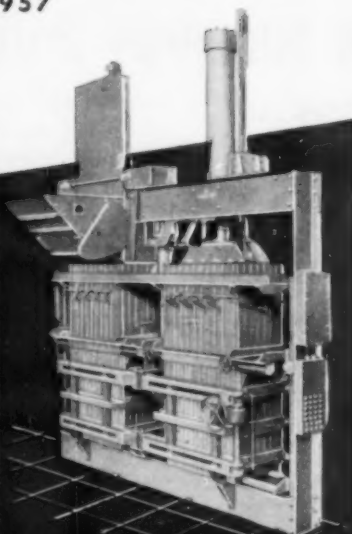


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**Twenty-Year 5% Debentures Due 1977**

*Dated August 15, 1957*

*Due August 15, 1977*

*Interest payable each February 15 and August 15*

**Price 97 1/2% and Accrued Interest**

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*August 7, 1957.*

lb. As recently as May 6, it was still at 13½¢, a price that had prevailed since February, 1956.

A few weeks ago, aluminum producers hiked prices of the light metal 1¢ per lb. (BW-Aug. 3 '57, p29). But you can't expect this to improve earnings very much. The rise barely covers an automatic wage boost granted to aluminum workers Aug. 1. Besides, for the first time in its history, aluminum is in an extended period of oversupply.

• **Lagging Nets**—The compilation on page 115 outlines the impact of price declines and rising production costs on earnings of the metal trades in the first half of 1957.

The aluminum companies generally were able to increase sales during the first six months. But profits of the three major domestic producers—Alcoa, Reynolds, and Kaiser—fell from 20% to 30%. (Aluminium, Ltd., the big Canadian supplier, was able to chalk up a 7% profits rise, reflecting recovery from a serious water shortage a year ago.)

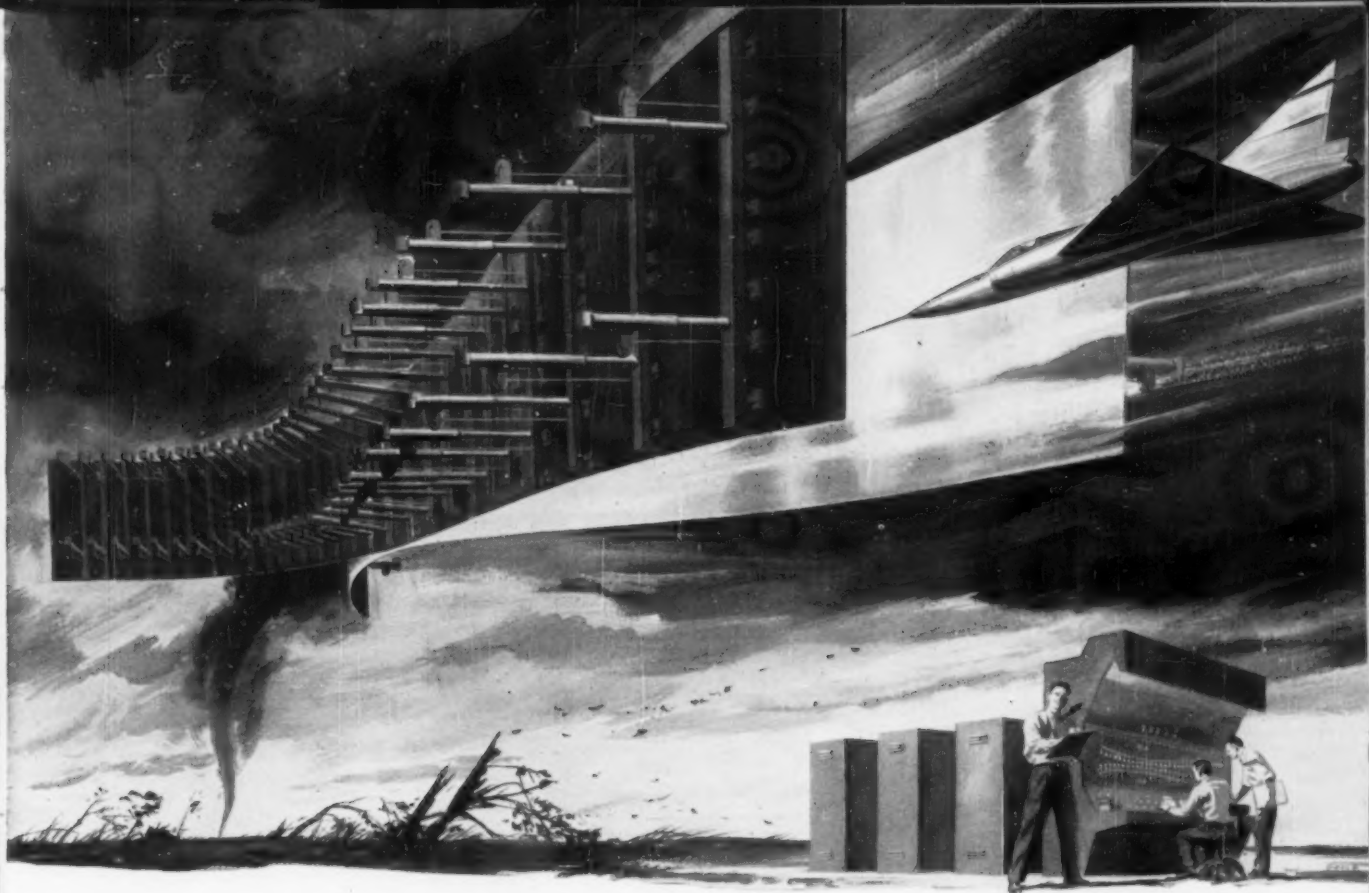
Among the copper, lead, and zinc producers, sales were off substantially, and profits dipped even more sharply. The worst profit decrease was 95.8% recorded by Howe Sound Co. First-half earnings of Cerro de Pasco Corp.—large miner of lead, zinc, and copper in Peru and fabricator of copper and aluminum products—slid 63% on a sales decline of only 9%.

• **Market Reaction**—These troubles have been mirrored by slumps in non-ferrous metals stocks on the Big Board (chart, page 115). They've declined from their 1956 highs far more sharply than the industrials generally. Last week, Standard & Poor's 425-stock industrial average was off 4.6% from its high last year, but as a group, lead and zinc shares were down 34.6%, aluminum 28.3%, and coppers 27.9%. As the chart shows, some individual declines were even more pronounced.

A diagnosis of the troubles among nonferrous metals came last week from Chmn. Kenneth C. Brownell and Pres. R. Worth Vaughan of American Smelting & Refining Co., a leading refiner and producer of lead, zinc, and copper. In a statement that accompanied the company's disappointing first-half earnings report, the two executives said: "The market situation in zinc especially has been characterized by worldwide expansion of production without corresponding increase in industrial demand and by reduced government purchases." Lead and copper are not so weak as zinc, they added, but "the general leveling off of business . . . has resulted in some decline in demand for these metals, while production is still at high rates."

• **Slow to Shut**—Despite the declining prices and softening demand, the non-ferrous metals men hesitate to cut back





## Putting the screws on a tornado

You're looking at the sketch representing an aircraft test being conducted at Tullahoma, Tennessee, in the largest supersonic wind tunnel in the world, now under construction.

Specifications for this project included these:

"Provide essential aerodynamic data in larger quantity and *faster* than in any existing system... Air flow to be continuous, simulating conditions in excess of 16 miles altitude and 4.5 times sound speed... Tunnel walls to create 300 master situations... Tolerance for error, 8 one-thousandths of an inch in an 8-foot stroke."

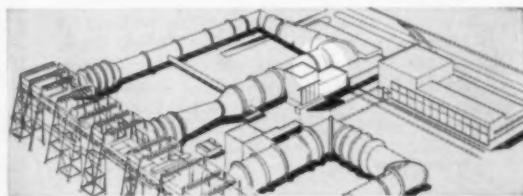
The factors of solution are as fascinating as the problem. The nozzle walls of the tunnel are solid steel, 100 feet long, 16 feet high—big enough to hold a guided missile or a large section of a huge jet aircraft. They are moved into any one of at least 300 positions by 56 screw jacks on each side. Each jack "talks back" electronically to Master Control and reports its position. What's more, any desired position can be set up in advance on magnetic tape and the operation carried out by remote control.

Two associated companies are doing this job—the Electric Boat and Stromberg-Carlson divisions of Gen-

eral Dynamics Corporation. Electric Boat—builders of the atomic-powered submarines, *Nautilus*, *Seawolf* and *Skate*—has overall responsibility, will supply the jacks and design the servo mechanisms. Stromberg-Carlson will create and build the digital computer system for the electronic controls.

This project—combining heavy, giant-size, accurate "machinery" with electronic systems of a complex, automated nature—is typical of the service which our combined divisions can offer to government and industry.

*There is nothing finer than a Stromberg-Carlson®*



Sketch of the project, being built by the U. S. Army Engineers for the U. S. Air Force, Arnold Engineering Development Center. Circled area locates the special walls and nozzle.



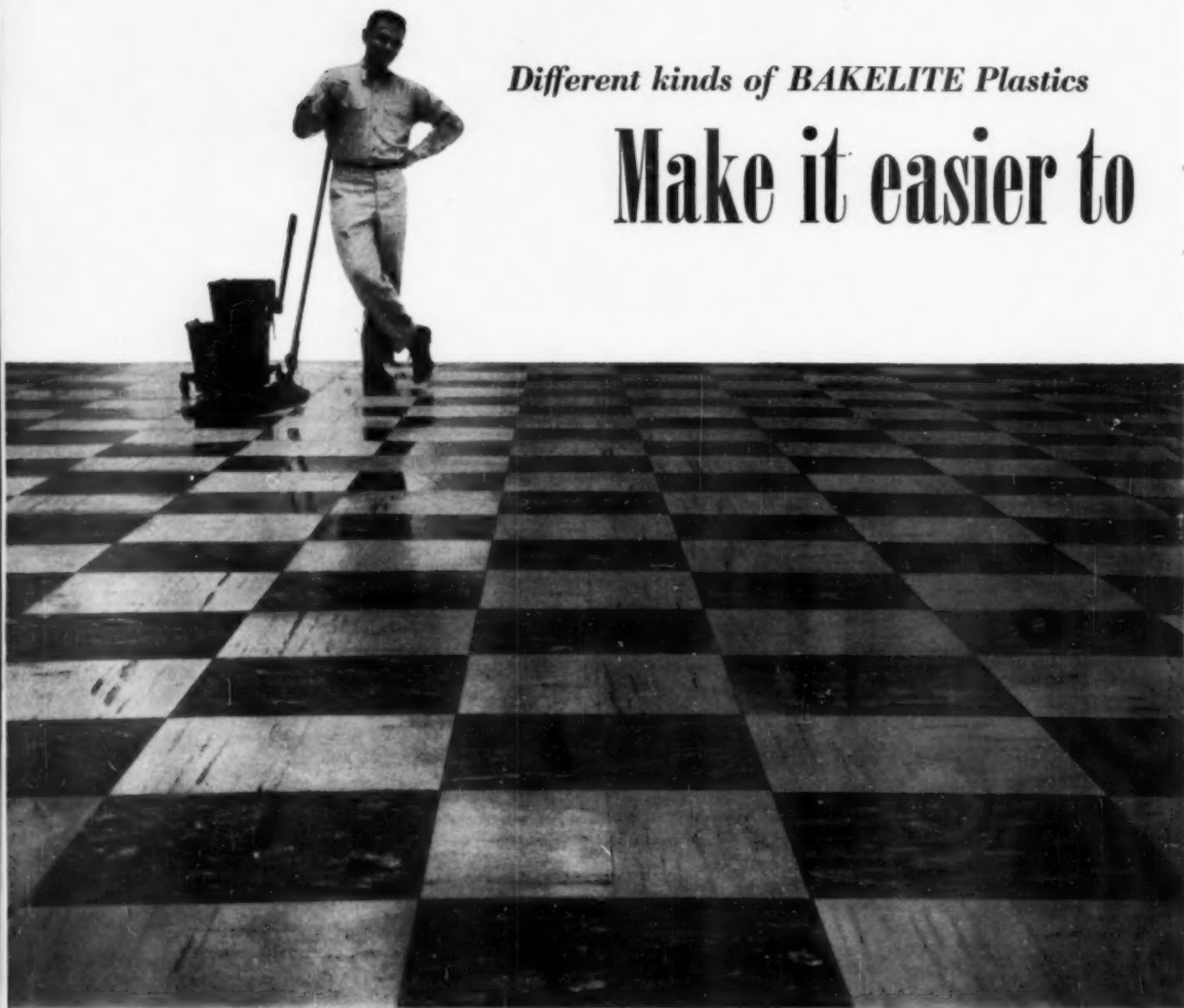
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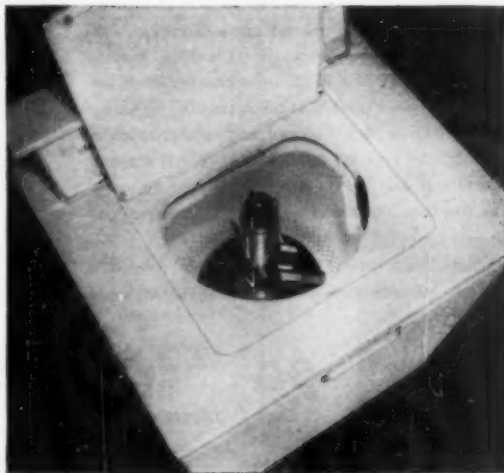
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**The heart of this washing machine** is the agitator. Made of BAKELITE Brand Phenolic molding material, it takes the abrasive action of swirling dirty water and rubbing fabrics . . . withstands steaming hot water, detergents and cleansers. It has to be tough, smooth-surfaced, and long-lasting. That's why BAKELITE Phenolic molding materials are used, as they are for cooking utensil handles and other products that must be easy and economical to make, yet take hard everyday service.



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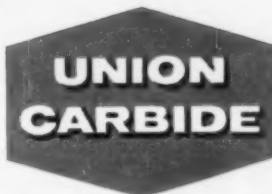
Overcome sales obstacles by packaging in film made of BAKELITE Brand Polyethylene. Shirts, for example. The attractively-printed film bag not only shows the product off to its best advantage, it keeps it clean in shipping, in inventory and on display. Returns and markdowns are reduced. Sales go up. Film made of BAKELITE Polyethylene has a place in just about every packaging plan, from foods to heavy equipment, drugs to wearing apparel. Write Dept. ZH-14 for information on Polyethylene Packaging.



Reception room furniture really has to take it. Here, the attractive sofa is upholstered with a vinyl fabric laminate consisting of cloth, pigmented vinyl sheeting and a smooth, clear top layer of KRENE film. KRENE is extra-quality material, tough and flexible, resisting cleaners, foods, acids, alcohol and other agents. And it's extra easy to keep clean since dirt wipes right off the surface.

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production commensurately. One reason why copper, lead, and zinc companies are very reluctant to shut their mines is that, as a metals man explains, "you risk losing your labor force permanently, and if there's water in the mine, you may not get it open again if you shut it down." Another reason is that most of the mines still aren't losing money—they're just making less than before. Says a metals specialist for a big Wall Street brokerage house: "They'll try to keep their mines open as long as they don't show a cash loss."

However, despite the disadvantages of shutdowns, some high-cost mining operations are being terminated, and production at other mines is being reduced. Closure of some of American Smelting's zinc mines has reduced its output by about 3,000 tons a month. American Zinc, Lead & Smelting Co. has cut production by about 2,500 tons of metal a month by slowing production at many of its facilities. Pres. Howard I. Young says further cutbacks are contemplated.

• **Inventory Glut?**—Meantime, producer inventories of the nonferrous metals keep piling up. Stocks of refined zinc at U.S. smelting plants in July were the highest in nearly four years. Refined copper stocks are near their record levels of March, 1954. The aluminum producers, too, are building up sizable inventories. The aluminum industry has been running at, or near, capacity, but some observers believe there may be a cutback soon.

However, aluminum producers are confident about future growth of their markets. Therefore, they are still expanding primary production capacity. New facilities now in the works will increase capacity from the present 1,775,000 tons annually to more than 2.6 millions tons within the next few years (BW—Mar. 30 '57, p190).

Some of the excess aluminum now on producers' hands is being sold to the government under special "put" agreements executed during the Korean War. The aluminum producers agreed to expand production facilities provided the government would buy future excess metal "put" to it by the producers. However, Alcoa and Kaiser have been importing aluminum from Canada under a long-term contract with Aluminum, Ltd., and the government has balked at accepting all the aluminum "put" by the two companies, because of their import program. Reynolds has no such long-term contract but its "put" offers also are getting close scrutiny. The "put" deals expire in about two years.

• **Famine to Feast**—Investors in copper stocks may be somewhat bewildered at the quick change in the industry's fortunes. Only a year ago, copper was one of the scarcest of the major non-ferrous metals. Strikes—considered al-



# The remarkable story of STEAM

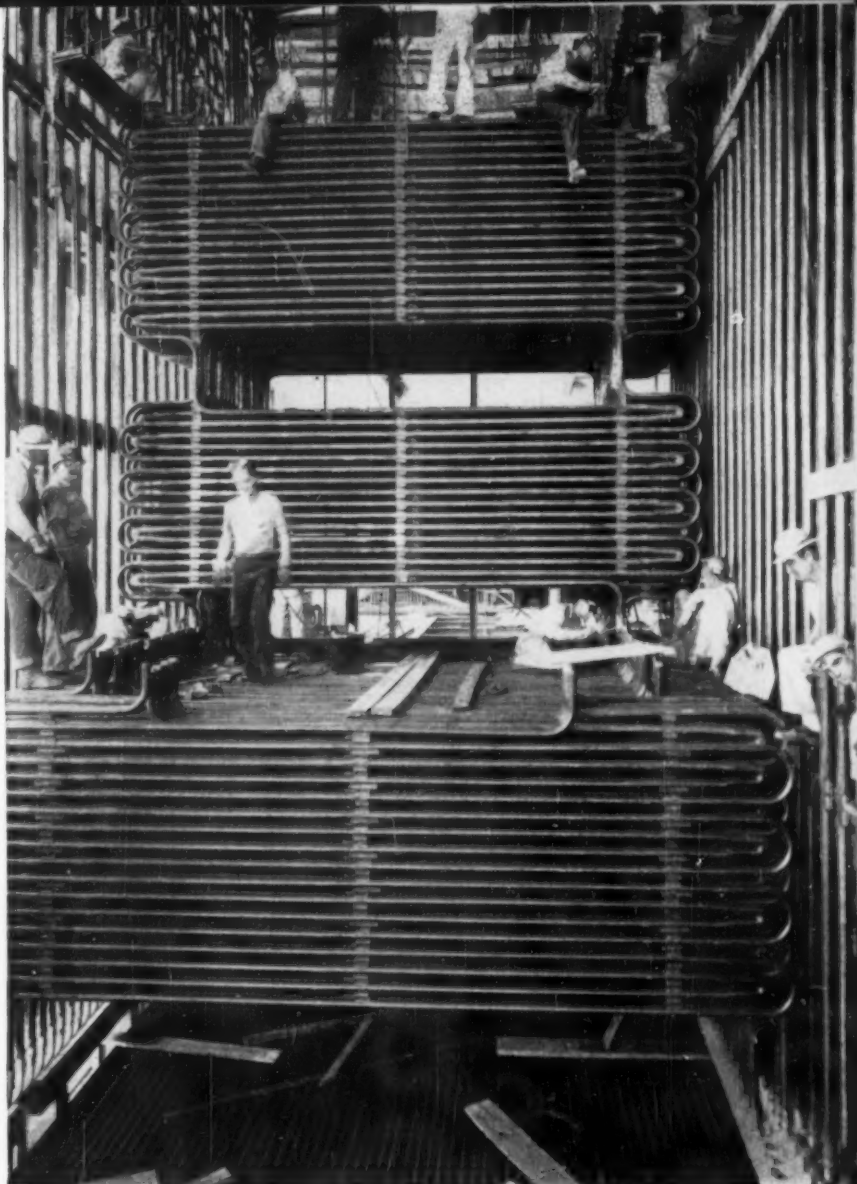
In the good old days, it was a simple matter to boil water and make steam. The large utility boilers of half a century ago would fit in many a modern living room . . . top steam pressures were about 200 pounds per square inch . . . and temperatures not much above the boiling point in a tea kettle.

What a different story today!

To illustrate, take a look at the picture opposite, which shows a small portion of a large C-E utility boiler — the rear pass containing a part of the tubing used to superheat and reheat the steam. In boilers such as this, steam, at a pressure of about 2500 psi\*, travels through a mass of tubes, totaling more than a hundred miles, and is heated to a temperature of 1050 deg. F. After it does its work in the high pressure section of the turbine, it is returned to the boiler where a large part of its energy is restored by reheating to a temperature of 1000 deg. F. It then completes its trip through the turbine, is condensed, and returns to the boiler to start the same cycle all over.

Compared to its predecessor of half a century ago, the modern utility boiler produces steam that — pound for pound — generates electricity about 450 per cent more efficiently. Moreover, it occupies far less space for equivalent output; in fact, just one of the largest boilers C-E is building today is equivalent in capacity to 100 of the largest boilers of the early nineteen hundreds.

These vast advances in the art of steam generation are the principal reasons why the utility industry has been



able to keep the cost of electricity down while the costs of all other important commodities have risen sharply. Evidence of this is the fact that the average charge per kw-hr last year — the country over — was lower than in any preceding year.

This is all by way of leading up to the point that you can be sure of getting the most out of your steam — in terms of lifetime economy and reliability — with boilers designed and built by Combustion. They are available for all steam requirements — power, process or heating — from those of small industrial and institutional plants to the largest power stations.

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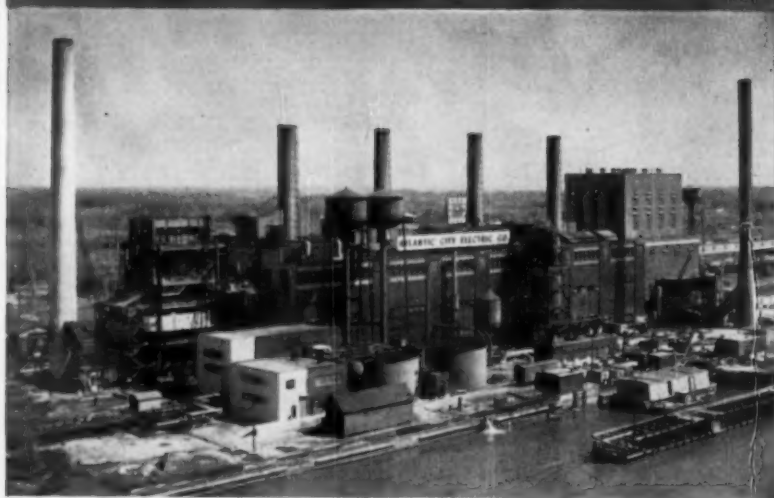


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BARREL TYPE  
BOILER FEED PUMPS



Deepwater station of the Atlantic City Electric Company in Penns Grove, New Jersey

The Atlantic City Electric Company knows it can count on the dependability of De Laval barrel type boiler feed pumps. Three ten-stage units are currently in service in the generating station shown above. When it came time to modernize one of their existing facilities, Atlantic City Electric Company and Gibbs & Hill, Inc., consulting engineers, chose two similar De Laval pumps to serve their new 79,000 kw generator.

The reliability of De Laval barrel type boiler feed pumps is the result of engineering experience and precision manufacturing methods. De Laval multi-stage centrifugal pumps, for pressures up to 5500 pounds, are now in operation.

Also doing an important job in this Atlantic City Electric Company station are De Laval IMO screw-type positive displacement pumps. They supply fuel oil to the burners round-the-clock.

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boiler feed pumps**

**Centrifugal pipeline  
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**Centrifugal blowers  
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**Steam turbines**

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**Worm gearing**

most inevitable at the major copper production centers in the U. S., Africa, Chile, and Canada, plagued the industry in 1955. Once production got rolling smoothly, fabricators bought in excess of their needs. In 1956 there were no major strikes, and production zoomed. Two main factors were behind the building of inventories: (1) the historical irregularity of supply and (2) the break in the strike pattern last year.

Copper producers foresee no increase in demand during the third quarter—a traditionally slow period for the industry because of vacation shutdowns at customers' plants. Last week's price cuts did not seem to stir buyers out of their lethargy.

A few copper men speculate that some producers might offer some of the red metal to the government under incentive contracts for developing ore bodies. Under these contracts, dating from World War II and the Korean conflict, Uncle Sam agreed to buy specified amounts of copper at a specified price if the companies elected to sell. A good many of these deals have expired, but some companies could make use of the option as the market price drops below what they could get from the government.

This arrangement is separate from the government's program of metal purchases for its stockpile of strategic materials. In the past, stockpile buying tended to rise as market demand fell, and this helped stabilize the market. Now, however, the government is adding to stockpiles of major nonferrous metals only slowly, and there have been indications that buying for the program might be reduced to a trickle within the next year.

• **Saddest of All**—Of all the metals merchants, the lead and zinc producers are obviously the unhappiest. Their stocks are piling up, and as long as supply holds firm, customers feel safe in carrying low inventories. To a somewhat lesser extent, this holds true of copper as well. But here the trade contends (a bit wishfully, many Streeters think) that even a mild increase in demand—such as expected in the fourth quarter of this year—might well touch off a chain reaction of inventory building to cushion a possible shortage.

But the lead and zinc industry isn't at all confident about the longer term. Some producers are hopeful that Congress will approve a bill, now before the House Ways & Means Committee, to place special excise taxes on imported lead and zinc. The Administration backs the bill. But there have been bitter protests from the major lead and zinc producing nations and from a few U. S. companies with foreign sources of supply as well.

Not only has government stockpile



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# A Clear Look....

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purchasing of lead and zinc slowed, but the Agriculture Dept. has practically suspended its barter program. Under this setup, it swaps foreign ore for surplus U.S. commodities, refines the ore, and dumps it on the government stockpile. This program has aided domestic producers of lead and zinc by keeping some of the foreign ores off the U.S. market. Most foreign ore and metal can undersell products of the higher-cost U.S. mines.

• **Last Hopes**—There is some hope of

tariff relief, if not from Congress then from the President himself under special executive powers. In the meantime, about the only hope for miners and refiners of lead and zinc—and, to a lesser degree, copper and aluminum—is an upturn in the economy generally, industry leaders believe. It's anybody's guess when this will happen. Some think there might be at least a modest improvement in the final three months of 1957, especially if the 1958 model year in autos begins promisingly.

## A Hike Here, A Hike There

That's how states are keeping their revenues in line with mounting expenditures. Since 1956, there have been major tax changes in 26 states—with more to come.

Just 10 years ago, the nation's 48 states over-all spent \$9-billion annually to conduct their operations. But in the 1958 fiscal year which started July 1, such expenditures will tot up to over \$22-billion.

That's what a recent survey of the Tax Foundation, a nonprofit research organization supported by industry, indicates. And, the survey points out, this is in addition to the billions that local communities and counties are pouring out—and must continue to pour out—on their own for schools and a myriad of other services.

To keep revenues in line with this kind of spending, state legislatures obviously have had to boost taxes over the years. This has been particularly true of late. Since January, 1956, the foundation says, 31 states have felt the need to increase the rates of one or more of their major tax levies.

• **Pat on the Back**—Despite the rapidly mounting tax burden, the foundation draws a complimentary conclusion with respect to the jobs the states have been doing over the postwar period when they, too, have had to pay more and more for goods and necessary services, including plenty of new ones. "In general," the survey concludes, "most states have done an excellent job of holding the line on spending and taxes, despite many pressures for new and enlarged programs—including strong pressures from federal and local governments."

• **Changes**—Most of the tax increases announced since January, 1956, have been made during 1957 legislative sessions. So far, major tax changes have been made by 26 states in calendar 1957 with six state legislatures still in session. Legislators have cast a calculating eye on everything from prunes to lightning rods, but the foundation estimates that the total number of tax changes will be less than the close to

3,000 chalked up in 1955. The 26 major changes exceed by a wide margin the six made in 1956, an "off year" taxwise.

Here's where the pencil sharpening shows up:

**The sales and use tax**, the single most important revenue source to the states as a whole, accounted for about 23% of tax collections in 1956. This year, three states—Arkansas, Maine, and Rhode Island—increased the rate from 2% to 3%. In all, 33 states now levy this tax, 15 of them at 3%. Washington State charges 3½%. This year, Pennsylvania revised and made permanent a 3% selective sales tax it adopted in 1956. Iowa was the only state to reduce its tax.

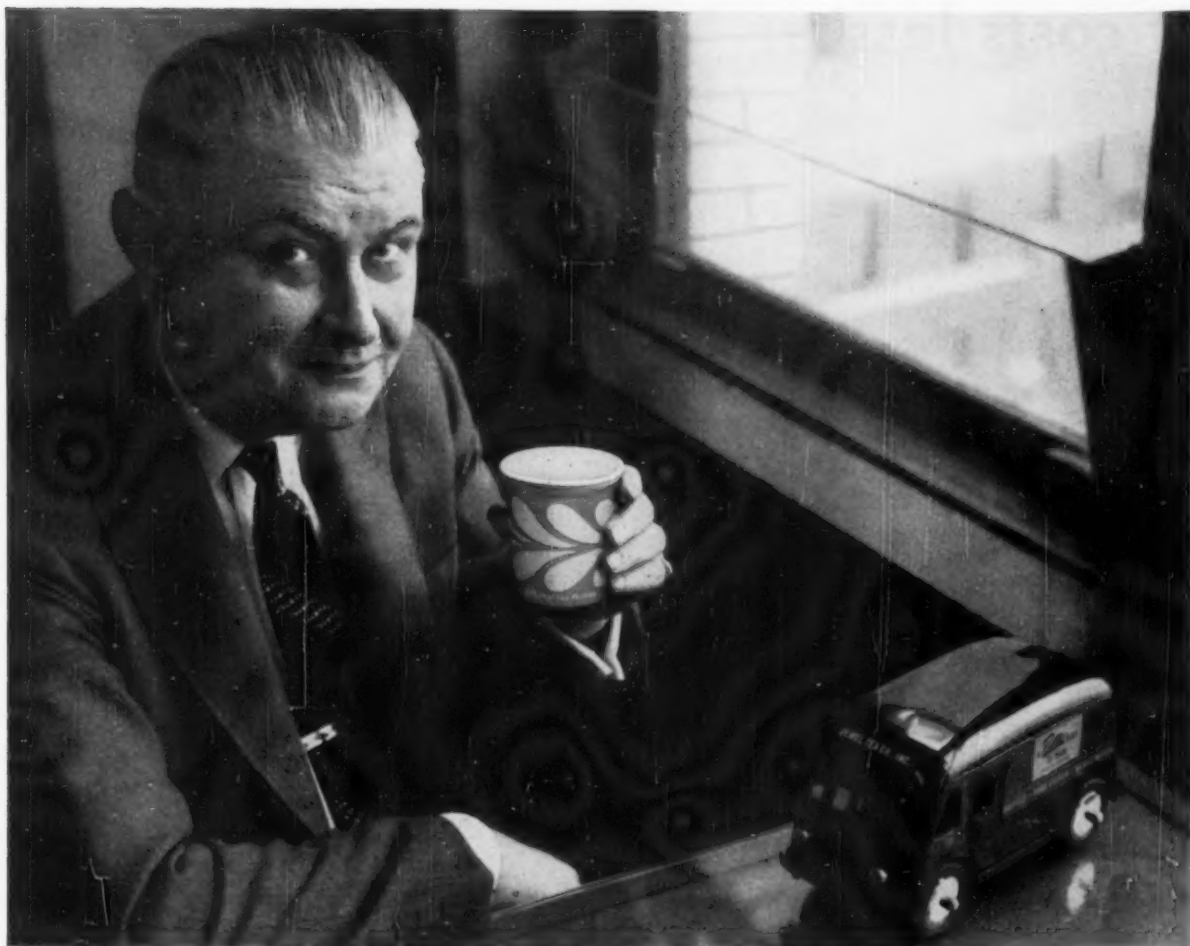
**Motor fuel sales levy**, the second biggest contributor of tax revenues to the states, yields 20% of their revenue. The most prevalent gasoline tax is now 6¢ per gal., and that amount is levied by 18 states. Six states have increased this tax since 1956: Massachusetts, from 5¢ to 5½¢; Indiana, from 4¢ to 6¢; South Dakota and Utah, from 5¢ to 6¢; Nebraska, from 6¢ to 7¢; and Oklahoma, from 6.58¢ to 7.58¢—making it the highest in the U.S. Montana, on the other hand, will drop its tax from 7¢ to 6¢ next year.

**Individual income taxes** account for 10% of states' revenues. Rates were raised in four states—Kentucky, Idaho, Kansas, Montana. New York continued its "forgiveness" credit. Oregon increased its personal exemption.

**Corporation income taxes**, which in 1956 brought in 7.7% of the states' money, were lifted in Colorado, Kansas, Kentucky, Idaho, Maryland, Montana, and Pennsylvania. Oregon reduced its tax rate from 8% to 6% on some business categories.

**Motor vehicle taxes** accounted for 9.7% of state revenues in fiscal 1956. This year, Washington raised its motor





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Often known as "Mr. Coffee" because of his vast knowledge and experience, Mr. O'Connor selects the millions of pounds of fine coffees delivered to the homes of over a million regular Jewel customers in 40 states.

"A rewarding experience," Mr. O'Connor told us. "All the rich flavor of Jewel Coffee has been retained in the China-Cote Cup. The coffee stays hot, but the cup is cool and easy to hold." Conclusive proof that the China-Cote Cup...

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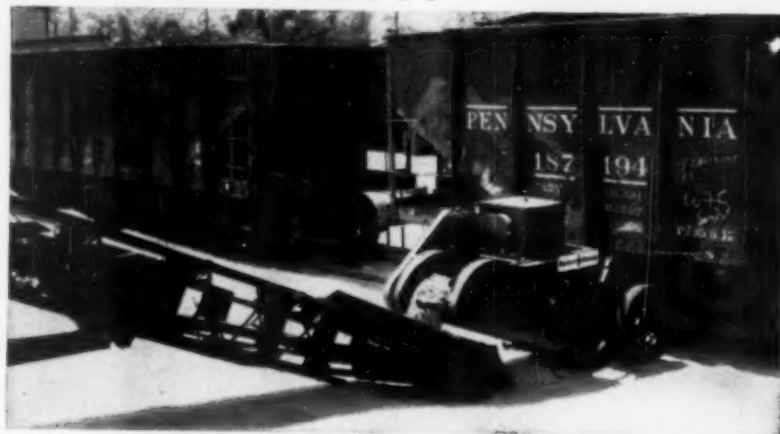
**Saves the heat!** Keeps hot liquids 10° hotter in a ten-minute period.

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The secret is a plastic inner coating—similar to real china—resulting from Lily's 10 years of research for a truly satisfactory hot drink cup.

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Literature on request

CONVEYORS...LOADERS...DITCHERS...ASPHALT PAVING EQUIPMENT

vehicle license fee, and North Dakota charged more for trucks. In 1956, Kansas and Virginia hiked various fees. Maryland postponed increases scheduled to have become effective in 1956. Arkansas and Iowa increased operators' and chauffeurs' licenses.

**Alcoholic beverage taxes** bring in 4% of state revenues. Louisiana lifted its liquor tax by a dime a gallon. Michigan added a 4% surtax to its distilled spirits tax. Montana raised its tax from 8% to 20% of retail selling price. Vermont and Illinois made large and small increases respectively in their taxes.

**Tobacco taxes** provide another 4% of state revenue. Ten states have lifted this levy since January, 1956. Montana, in two steps, hiked its cigarette tax from 4¢ to 8¢. Ohio and Wyoming raised theirs from 2¢ to 3¢. Kansas and Nebraska went from 3¢ to 4¢. New Jersey and Michigan from 3¢ to 5¢. West Virginia, Wisconsin, and Vermont from 4¢ to 5¢. Of the 42 states levying cigarette taxes, 28 now have rates of 4¢ or more.

**Severance taxes** were upped by five states—Kansas, Mississippi, Virginia, New Mexico, and Arkansas. New Mexico also enacted a new tax on thorium and rare earth.

**State property taxes** were raised in Maryland, Montana, and North Dakota in 1957, and in Colorado and Kansas in 1956. West Virginia authorized an additional state property tax to meet the debt service requirements of a road construction bond issue if existing revenue proved insufficient.

## Coast Investment House To Merge Chicago Firm

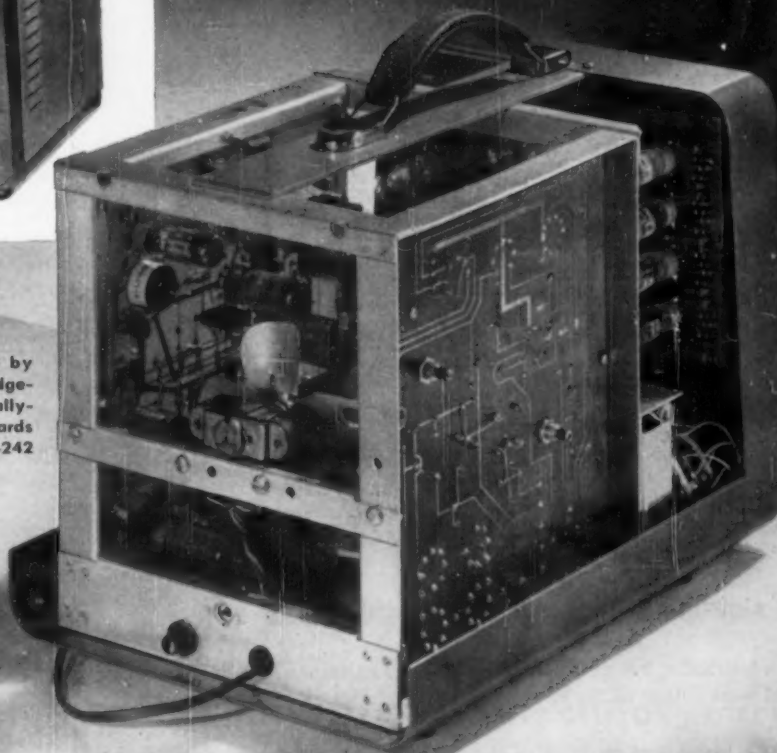
Dean Witter & Co., big brokerage and investment banking house headquartered in San Francisco since its founding in 1924, last week announced plans to purchase Central Republic Co., Chicago investment firm. Completion of the deal is set for Sept. 1, provided Central Republic stockholders ratify the merger plan.

Newton P. Frye, chairman of Central Republic, said the proposed consolidation offered his firm and its customers the advantages of the larger Dean Witter organization. The San Francisco concern maintains membership in six stock exchanges and 15 commodity exchanges, has 11,000 miles of leased wires, and offices in about 30 cities, including New York and Chicago. Central Republic also has offices in New York and Chicago, plus 10 other Midwest cities.

The expanded company will keep the name Dean Witter & Co., with Dean Witter, founder and senior partner, continuing as head. **END**



Digital Multimeter made by Franklin Electronics, Inc., Bridgeport, Pa., uses three vertically-mounted, printed circuit boards made of Taylor Grade XXXP-242 copper-clad laminate.



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50 grades of Taylor laminates combining paper, fabric or glass bases with phenolic, melamine, silicone or epoxy resins.

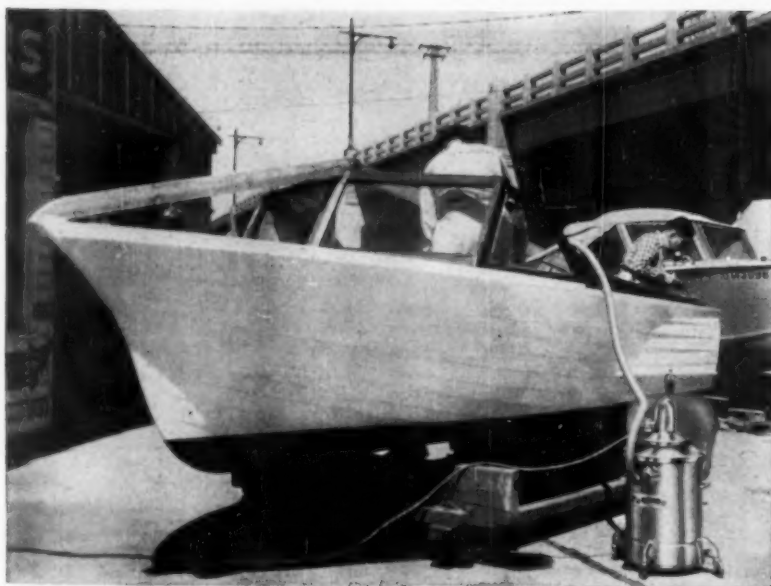
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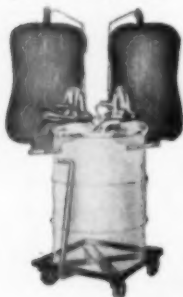
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If you have a problem with constant waste accumulation, be it wood, metal, glass, fibre or plastic, put a wet or dry pickup TORNADO vacuum (or two) on your production line and see for yourself how this powerful and versatile vacuum can make clean work more efficient work, and profitable, too!



And when you need powerful vacuum **PLUS** larger waste storage, it's the **TORNADO JUMBO CONVERSION** unit that gets the job done. The Jumbo Conversion plate fits all standard 55-gallon drums, and with two motor units, delivers up to 3 H.P. of suction. Four wheel dolly and pulling handle complete the unit.

Write for Bulletin No. 660

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## FINANCE BRIEFS

U.S. savings bond cash-ins continue to climb despite the recent hike in the interest rate to 3½% from 3%. Redemptions last month exceeded sales by \$129-million, the biggest spread so far this year. Sales for the first seven months of the year totaled about \$2.7-billion, against \$3.2-billion a year earlier. Cash-ins during the 1957 period rose to \$3.3-billion, compared with around \$2.9-billion last year.

Meat packing trade is still having troubles (BW-Jul. 6 '57, p115). Rath Packing Co. directors this week voted to omit the 35¢ quarterly dividend on its common stock due at this time. The company said profits did not justify a payment.

Stock splits have been less popular lately. In the first half of 1957, there were only 26 stock splits among Big Board issues, according to the New York Stock Exchange. In the first half of last year, splits hit a record 56; in the same 1955 period they numbered 47.

Chicago had to accept a 3.84% borrowing cost on a recent issue of \$40-million of civic improvement bonds. That's the highest rate it has paid since the 1930s. The city's last comparable issue came to market on May 9 and sold at an interest cost of 3.28%.

Northern Illinois Toll Road may need about \$40-million of additional financing to cover inflationary rises in costs between the drawing board stage and the letting of construction contracts. Higher toll rates for the 187-mile highway network may be the result.

Sperry Rand Corp. is planning a major piece of corporate financing next month. Details of the \$110-million program are being worked out with Merrill Lynch, Pierce, Fenner & Beane and Lehman Bros.

It's a dog's life, but it's insurable. So says Animal Insurance Co. of America, which has just been licensed by New York State to devote itself exclusively to dog life insurance.

Swiss banks have joined with New York and Cincinnati institutions in extending loans to Gruen Industries, Inc. The agreements, totaling \$1,750,000, are for demand loans at an interest rate of 5.75%.

Kaiser Aluminum & Chemical Corp. sold \$50-million of 30-year, 5½% first mortgage bonds. Institutional investors bought the lot at private sale.





## How to help your child have a better school year

**"Good-bye, Mom . . ."** Mothers will hear this familiar farewell daily during the school months ahead when 38 million children leave for their classrooms. Among these boys and girls there will be 4 million youngsters entering school for the first time in their lives.

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For example, slight defects in seeing and hearing can handicap a child in his studies and other school activities or cause unnecessary absences.

You may also find your doctor's advice helpful in improving your child's general health. Parents should remember that poor health habits can lead to physical and emotional troubles and the sooner they are corrected, the better.

Protection against certain health hazards is necessary when a child starts or returns to school. So be sure to have your child's immunization record reviewed . . . and appropriate steps should be taken to bring

it up to date if necessary.

Teen-age boys and girls, as well as younger children, benefit from regular pre-school check-ups. Physical adjustments, weight variations and emotional upsets—all these and similar problems are matters which parents may not understand too well.

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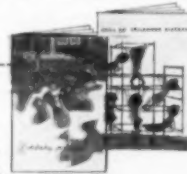
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☐ "Understanding Your Teen-Ager," 9-57-S.

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# In Washington

## Opponents of Bricker Amendment Fight For Compromise on Nuclear Fuel Issue

Congress this week goes into the final round of a battle over the terms of U.S. participation in the International Atomic Energy Agency, which will coordinate international development of nuclear power.

At issue is an amendment, sponsored by Sen. John W. Bricker (R-Ohio), to the bill authorizing U.S. participation in the agency. The amendment would require the President to obtain specific Congressional approval for each transfer of enriched nuclear fuel to the agency beyond the token amounts already pledged. The amendment was knocked out in the House, but was included in the bill passed by the Senate last week.

The legislation now is slated to go to a Senate-House conference. Opponents of the Bricker amendment on the House side will fight in conference for a compromise under which the President would be authorized to transfer enriched fissionable materials to the international agency at his discretion, unless Congress opposed a transfer in a joint resolution within a specified period of time.

U.S. atomic equipment manufacturers say that the Bricker amendment presents a direct threat to their foreign sales—which could add up to hundreds of millions of dollars over the next decade.

If the U.S. now makes its contributions of enriched fuel to the agency dependent upon unpredictable Congressional action, foreign governments may pass up American-made reactors in favor of the British gas-cooled type that burns more easily available natural uranium.

## FTC Questions National Sugar's Motive For Acquiring Godchaux Facilities

The sugar refining industry cropped up as a target for the antimerger guns of the Federal Trade Commission this week.

A formal complaint charges that National Sugar Refining Co., No. 2 in the industry, violated the Clayton Act by acquiring the refining facilities of Godchaux Sugars, Inc., a Louisiana producer and refiner.

The commission charges that the acquisition has increased industrywide concentration—already a marked feature of sugar refining, it says—and gives National the facilities, market position, and ability to monopolize the refined sugar business in the area where the two companies formerly competed.

According to FTC, National and Godchaux competed in all states east of the Mississippi and in Arkansas, Iowa, Louisiana, Missouri, and Oklahoma up to June, 1956, when the acquisition was made. In this market area, FTC says National ranked second in sales in 1955, with about 13.4% of all sales. Godchaux ranked fifth, with 4% of sales.

The transaction behind the antimerger case is com-

plicated. The New York real estate company of Webb & Knapp acquired stock control of Godchaux early last year (BW—May 26 '56, p34), primarily to obtain 32,000 acres of land Godchaux owned in Louisiana. In June, 1956, the refining facilities, accounts, inventories, and supplies of Godchaux were sold to National for about \$14-million. But 31,000 acres and a cane mill were retained by Webb & Knapp, through a new corporation called Gulf States Land & Industries, Inc.

FTC lawyers say that so far as they are concerned, National bought Godchaux—and it makes no difference to their case, legally, that Webb & Knapp had control of Godchaux at the time.

According to Horace Havemeyer, Jr., president of National, "... We believe that the effect of the purchase is to stimulate competition and not to impair it ... and that our position will be sustained in the proceedings."

## "Voluntary" Quotas on Crude Imports Invoke Howls of Protest in Oil Industry

The Eisenhower Administration's new program to restrict crude oil imports by voluntary action of the importing companies (BW—Aug. 3 '57, p26) is already running into trouble.

One of the importers, Sun Oil Co., has refused to be a party to the voluntary effort. Sun fears it would be laid open to antitrust charges by an unfriendly Justice Dept. sometime in the future.

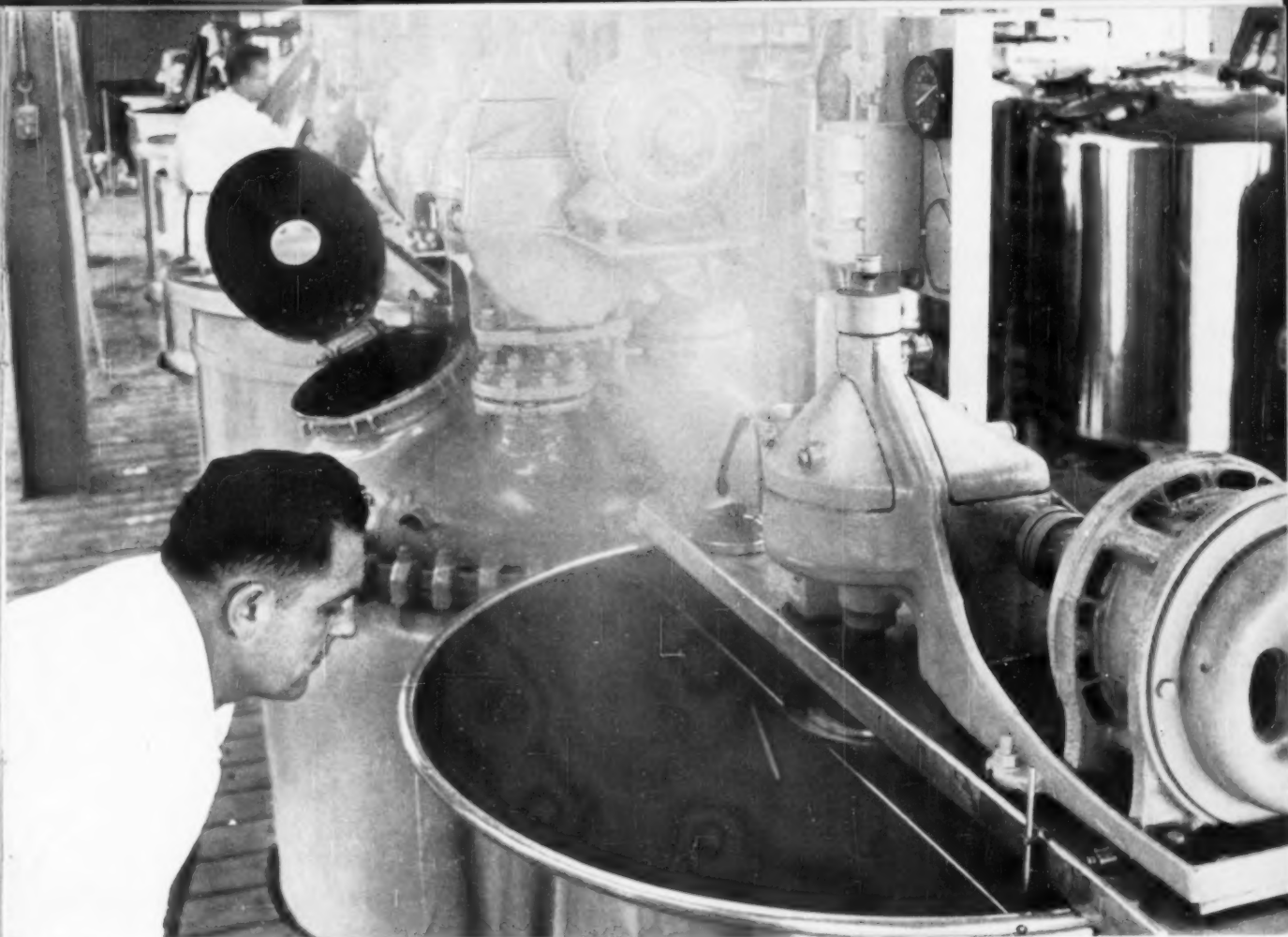
Six other companies have advised Navy Capt. Matthew V. Carson that they consider their voluntary "quotas" under the new program unfair, and desire a hearing to present their arguments. Carson, administrator of the program, plans to begin hearings on the objections within a week or so. The biggest gripes come from Standard Oil Co. (Indiana) and Tidewater Oil Co.

The government's dilemma is this: If some of the companies are not granted upward adjustments in their "quotas," they may go ahead with imports exceeding their allocation. If sizable adjustments are granted, independent producers are ready to brand the program a failure. In either case, a new drive can be expected in Congress to write into the law new mandatory restrictions on oil imports.

## Congress Postpones Decision On Tariff Relief for Lead and Zinc

Sliding-scale import excise taxes on lead and zinc—part of Interior Secy. Fred A. Seaton's proposed long-range domestic mining support program (BW—May 11 '57, p134)—are headed for Congressional cold storage.

The House Ways & Means and Senate Finance Committees have completed hearings, but will not likely act on the bills this session. Complaints about the current soft market in lead and zinc won Congressional sympathy, but Democratic committee members chided the Administration for not attempting tariff relief through the Tariff Commission or the Office of Defense Mobilization before coming to Congress.



## Steam Supply by B & W

### Keeps Boiler Room Hospital-Clean at Hoffmann-La Roche Pharmaceutical Manufacturer Meets Expanded Needs In Small Space

Spotless housekeeping, important throughout a pharmaceutical plant, was extended to Hoffmann-La Roche's boiler room at Nutley, New Jersey, when two new B&W units were installed. The new boilers meet expanding plant needs in a small space. They also take wide load variations in stride—on less fuel. Steam plays a multiple role in processing this famous line of pharmaceuticals, and the B&W Boilers provide a dependable, low cost supply of clean, dry steam.

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# INTERNATIONAL OUTLOOK

BUSINESS WEEK

AUG. 17, 1957



France's semi-devaluation of the franc was triggered by (1) an alarming increase in flight of capital, and (2) a sharp decrease in tourism. The franc has dropped to its lowest point in eight years.

But Finance Minister Felix Gaillard's weekend coup is a holding operation only. It's meant to prepare the way for an across-the-board devaluation in the near future. In effect, what he did was to wipe out the old cumbersome system of export bonuses and replace it with a 20% government subsidy. (Exporters can turn their dollars into francs at the rate of 420 to the dollar instead of the official 350 rate.) He also puts a 20% tax on more than half of imports, lowers the value of the franc to tourists by 20%.

It's too soon to tell what the short-term effects will be. Capital flight may have slowed. There may be some gains in tourism—although it's late in the season for a major change. But it's already clear that the partial devaluation won't have the same effect on France's balance-of-payments problem as a true 20% cut in the exchange rate. Because there were already subsidies for many exports, the net effect will be an average of 10% to 15% decrease in their price on foreign markets.

Washington believes that Gaillard will have to go the whole hog with devaluation soon. France's trading partners in the European Payments Union and the International Monetary Fund will not long tolerate the multiple exchange rate. Some of France's European neighbors are already protesting. Chances are Gaillard will settle on a general devaluation at 420 francs to the dollar (the base rate is now 350)—or perhaps even higher.

The test of Gaillard's whole financial policy will come in October when the new budget will be presented to the National Assembly (BW—Aug. 10 '57, p. 29). The jig will be up if he can't keep inflationary pressures blanketed until then. Already steel prices are up 4.5% over last week's. And France's unions are preparing for a round of wage demands.

In any case, France cannot hope for the foreign assistance that Gaillard says it needs if Washington—and Bonn—are not convinced a long-term program of sound financial reform has the backing of the French nation.

—●—

Russian delegate Valerian A. Zorin put the damper on the London disarmament talks this week. He told the Western members of the U.N. commission that U.S. delegate Harold Stassen was too optimistic.

Still, Washington is set to continue the disarmament talks until the Russians break them off—even if it takes two or three years. Continuing the talks has solid advantages for the West. The Western proposals for banning production of nuclear weapons, tied to a ban on testing, has given the West a propaganda lead, Washington believes.

Continuation of the talks ought to slow down efforts of the smaller nations to become nuclear powers—a prospect that alarms Washington, and probably Moscow, too. Finally, there's a better chance of getting the Russians to agree to arms control eventually if the talks aren't broken off, less danger that either side could accidentally blunder into a war.

—●—

# INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

AUG. 17, 1957

Prime Minister Wladyslaw Gomulka's regime is in serious trouble. This week's transport strike in Lodz—culmination of a strike wave—was the most critical incident since the October, 1956, revolution swept him in.

Large sectors of the Polish workers who started last year's revolution have turned against Gomulka's economic policies. While they do not support Gomulka's Stalinite opponents, their refusal to live up to Gomulka's austerity program plays into the hands of Stalinists.

The crisis is proof again that a planned, centralized economy cannot function without resorting to police state—such as perished in the October revolution. Nor does Gomulka's mixed economy work. He had hoped to continue planned economy in industry but to allow private agriculture and some free trading. It hasn't worked. Agricultural production has climbed after the dissolution of the state collectives. But industrial production is declining fast.

Chances are that this economic situation will eventually lead to political concessions to the Stalinites, and Polish "independence" will become an empty shell.

—•—

Indian Prime Minister Jawaharlal Nehru is faced with some difficult economic decisions that can't be postponed much longer.

This week, Finance Minister T. T. Krishnamachari told Parliament that foreign exchange reserves had fallen below the legal minimum. (However, India's Reserve Bank has authorization to declare a lower figure for a six-month emergency.)

Severe import restrictions imposed to halt the drain have so far only closed it. Reserves of about \$788.5-million are draining at the rate of between \$15-million and \$20-million a week.

Ahead may lie some policy shifts:

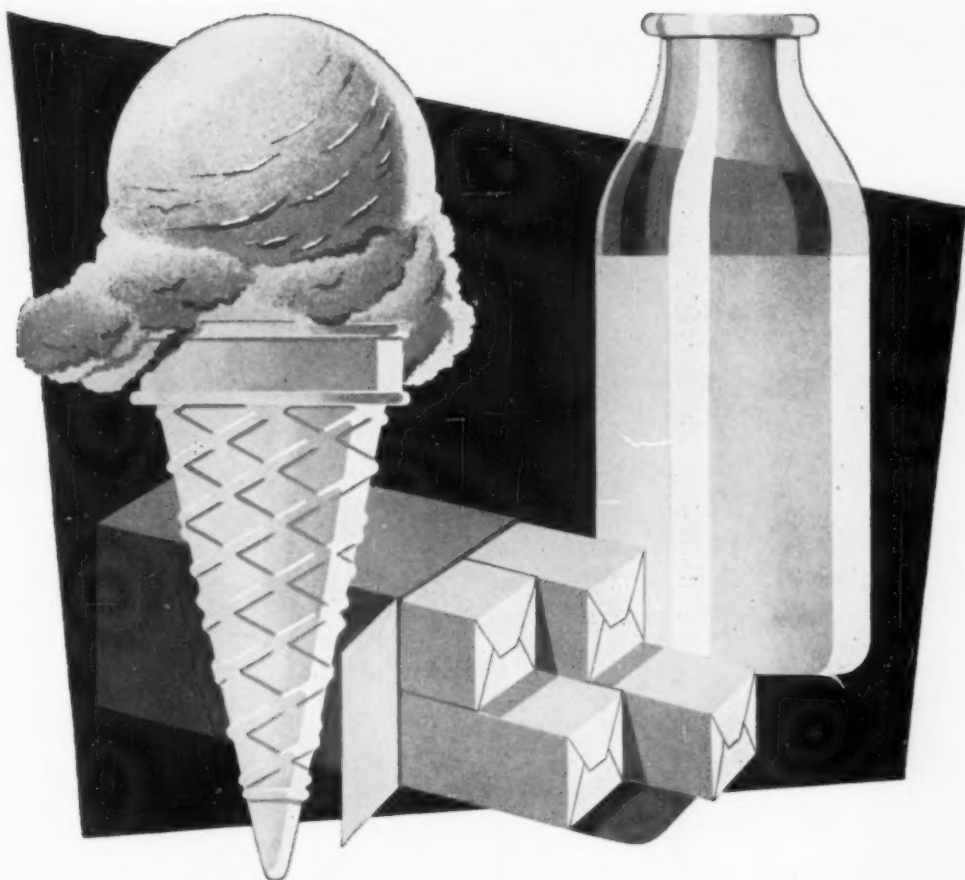
- **A severe cutback in the Second Five Year Plan.** Government expenditures for heavy industrial imports to implement the Plan, plus an accompanying boom in the private sector of the economy, are the principal causes for the foreign exchange drain.
- **An appeal to the International Monetary Fund** for more credits.
- **Devaluation of the rupee** before the end of the year. To some extent, India's problem is much like that of France—an industrial boom that has built a higher demand for imports than exports can pay for.
- **A stepped-up campaign** to encourage foreign investment in India.

—•—

This week's elections in British Guiana were a bad omen for British interests in the Caribbean.

Voters in the crown colony handed a victory to Communist-liner Cheddi B. Jagan and the extremist faction of his People's Progressive Party. In 1953, the British ousted Jagan from the government after his party won 18 of the 24 elected seats in the legislature. Now, elected under a revised constitution, he has less power—but enough to make trouble.

The worst blow is to the newly formed West Indies Federation. The British islands—Jamaica, Trinidad, and others—have sought Guiana's membership in the federation because of its strong sugar, rice, and bauxite economy. Now it's unlikely the islanders would want a Communist-dominated member in the family—despite economic advantages.



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JOHNNY DIO wouldn't talk, but tape recording revealed that he knew Hoffa.



BERTHA NUNEZ, a native of Honduras, testified she was forced to join a union.



SAM GETLAN says his name was used as president of a "phantom" union local.

## LABOR

# Hoffa: Back in Capitol

McClellan committee aims its fire at star witness in labor racketeering probe. The outcome could be crucial for the ambitious Teamsters' official.

SENATE INVESTIGATORS this week were ready to draw a bead on their No. 1 target—Teamsters' Vice-Pres. James R. Hoffa—after two weeks of painstaking preparations. But no one on the committee expects Hoffa to be a sitting duck.

What may be the most dramatic—and fateful—clash of the long-running investigations into labor union racketeering was just ahead at midweek. Hoffa, interrupting his campaign for presidency of the Teamsters union, faces a limitless supply of questions about his alleged tie-up with gangsters in his quest for control of trucking in New York City.

From the loquacious Anthony Doria to the surly, monosyllabic John (Johnny Dio) Dioguardi, the parade of witnesses filled in the details of union corruption inside and on the fringes of the New York Teamsters. The eight-man committee headed by Sen. John McClellan (D-Ark.) spent the better part of a year ferreting out the story now unfolding before the TV cameras.

## I. Hoffa's Approach

For the 44-year-old Hoffa, the committee summons comes at a time when he's riding highest—and could fall the hardest. Currently, he's the only candidate campaigning to succeed Dave Beck as the Teamsters chief and the only apparent roadblock would be to fail his examination before the McClellan committee.

Hoffa says he will answer all questions. Even the impressive array of buildup witnesses, many with notorious police records, aren't enough to make the match one-sided—despite committee counsel Robert F. Kennedy's efforts to demonstrate their ties with the Detroit union leader.

• **Probable Answers**—Some of the answers Hoffa will offer can be pretty well predicted. Just one year ago, in an address to a group of St. Louis businessmen, he volunteered the reasons for his moving into an election fight for the control of the Teamsters in New York—the key issue in this investigation.

Said Hoffa: The incumbent New York Teamsters Council leader (Martin Lacey) "believed he owned a private little empire . . . The Southern organi-

zational drive needed the support of the New York Teamsters if it was to be effective. And so we supported another man for presidency of that joint council in a recent election who knew that the day is past when a small section of the Teamsters union can ignore the troubles of another Teamster anywhere."

On another point of committee interest, Hoffa's proposed alliance with the AFL-expelled International Longshoremen's Assn., Hoffa says: "This is a practical matter. We need the aid of the longshoremen in our Southern drive . . . If at any time we know of a racketeer and it was within the providence of the Teamsters union to throw him out, we would do so without hesitation."

These remarks, if Hoffa repeats them before the unreceptive senators, will hardly satisfy. But they reveal the open-faced approach that Hoffa will make to the committee.

At the outset of the hearings on the Teamsters affairs in New York, McClellan said the evidence would show that Hoffa wanted a "stranglehold" on the city's trucking and waterfront operations "through the help of racketeers."

Certainly, the racketeers were in evidence. Sometimes they sat three-at-a-time in witness chairs. Almost in chorus, most invoked the Fifth Amendment or variable versions of the plea of self-incrimination, rather than talk about their union activities in New York.

## II. The Revelations

But Counsel Kennedy supplied the record with a rundown on the maze of interlocking union locals that were manipulated to gain for Hoffa control of the Teamsters' New York operations. With it came revelations of union-employer collusion, bribery and extortion of small employers, victimizing of Puerto Rican and Negro workers on the part of both labor and management.

• **Early Testimony**—Through the daily hearings leading up to Hoffa's appearance, these key points came out:

• A tie-up between John (Johnny Dio) Dioguardi, convicted extortionist, with Hoffa on union business at a time Dio was supposed to have been forced out of the labor movement because

# Spotlight

of his bad record. Dio, on leave from jail for his appearance, declined to testify about knowing Hoffa. But a wire recording of a Dio phone call in August, 1955, was played to a packed hearing room. It went this way:

Dio: "I was with Jimmy last night."

Anthony (Tony Ducks) Corallo: "Who?"

Dio: "Jimmy Hoffa."

• The Corallo in that conversation is, by Kennedy's description, an even bigger racketeer than Dio. Corallo, who has a narcotics conviction, is an officer of one local and the alleged boss of at least six others. He helped Hoffa in his bid for control of the New York Teamsters.

Further in the Corallo-Dio conversation, there's an exchange over attempts to locate Teamsters Eastern Conference Chmn. Tom Flynn. This conversation, the committee believes, shows Corallo to be an intimate in Teamsters affairs and a union power who outranks Dio:

Corallo: "See if you can find that drunken . . . Listen, why don't you or him go hurry up and call up Russ and leave a number where Russ [not identified] could get you. He wants to talk to you important. He's in that hotel; you know, on 49th."

Dio: "Russ. Can I call him there?"

Corallo: "Call there and leave a number where he can call you if he's not there."

Dio: "All right."

Corallo: "Now, let's hear you call him."

• Seven "paper locals," originally assigned to the old AFL auto workers union, were maneuvered into the Teamsters in time to vote for Hoffa-backed candidate—John O'Rourke—as president of Teamsters Joint Council 16. The locals, most of them with no members, were run by Dio, Corallo and other racketeers who had been in the New York operations of the AFL auto union and who moved into the Teamster picture almost en masse.

O'Rourke finally got the job when incumbent Martin Lacey withdrew.

• Operating methods of these paper locals and others belonging to the AFL auto union, showed hoodlums making a living off the unsuspecting workers they were supposed to represent. In hundreds of shops in New York—ranging from car wash stations to dry cleaning plants and from box manufacturers to electrical shops—the local officials would either make deals with employers for a payoff in return for a "good" contract, or extort money

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## IDEAS FOR PROFIT IN INDUSTRY

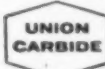
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on a threat of a strike. Victims were thousands of unskilled workers, mostly Puerto Ricans, who were usually unaware they belonged to a union.

Blackhaired Bertha Nunez, 27, rounded out testimony before the committee by the New York Chapter of the Association of Catholic Trade Unionists spelling out how a Dio-controlled local operates. Workers in the electrical appliance plant where she worked would be "laid off," said Miss Nunez, and when rehired would have to pay another "initiation fee"—\$15 to \$20 each time. The AFL-CIO launched a drive to rectify this (BW—Jun. 29 '57, p149) while Miss Nunez testified about the plight of exploited Spanish-speaking workers.

• **Committee's Aim**—At almost every juncture, when the hearing shifted subject matter, Counsel Kennedy would restate the principal point of the hearings: That these union-gangster operations were closely involved with Hoffa's drive for control of New York City trucking. The committee made a special point of establishing the reputation of the former AFL auto union—now called Allied Industrial Workers union, presently on probation—with intensive questioning of financial deals of its former officers.

The talkative former secretary-treasurer of the Allied Industrial Workers Anthony Doria insisted in his testimony: "All my actions were absolutely, positively and without question, honest." But the Senate investigators filled in a picture of strange, to say the least, financial practices.

Doria, the committee charged, kept "thousands of dollars" of funds from defunct local unions near his office in a hidden cash box that only the then president of the union, Earl Heaton knew about. The money was not entered on the union's books.

In St. Louis, last week, the Allied Industrial Workers Union convention on the recommendation of Peter McGavin, special assistant to George Meany, voted to try to recover \$25,000 already paid Doria to quit his union job and to refuse to pay another \$25,000 still owed, for which Doria holds AIW's notes. The move was a part of a housecleaning operation by the union placed on probation by the AFL-CIO.

The plan, as McClellan said at the outset, was to reveal Hoffa's thrust for power without regard for how he gets it. At the least, the committee hopes to show that Jimmy Hoffa must be known by his associates.

In the witness chair, Hoffa will explain that everything he has done is to further the cause of the Teamsters union. The presence of racketeers and victimized workers, however, poses tougher questions for him to answer.

# AFL-CIO Draws the

**Federation says its Fifth Amendment policy does not apply to questions about a union leader's personal funds. Meany finds a difference between Hutcheson and Beck cases.**

The AFL-CIO Executive Council this week put a new light on its controversial Fifth Amendment policy. The council held, in effect, that the policy does not apply if a union official invokes the Fifth Amendment and refuses to answer questions about his personal funds.

The original policy statement declared that union officers who hide behind the Fifth Amendment "for personal protection and to avoid scrutiny by proper legislative committees" have "no right to continue to hold office" in their union.

• **Concession**—The labor federation's modification of this policy seems to be a concession to those in the AFL-CIO who oppose a hard-and-fast rule. What effect this will have on the cold war between the Teamsters and the federation over corruption in the labor movement remains to be seen. The Teamsters union—and Teamsters Vice-Pres. James R. Hoffa especially—has been outspoken in its opposition to the AFL-CIO's Fifth Amendment stand. It is likely to see in the council's "clarification" of its position a step toward repudiation. The union is certain to argue this before the next AFL-CIO convention.

As it turned out, the statement on Fifth Amendment policy was the only hot issue that developed at the AFL-CIO council's four day meeting in Chicago. The council quietly postponed most of the other issues that were expected to provoke fireworks.

• **Hutcheson Case**—George Meany, AFL-CIO president, qualified the federation's stand on the Fifth Amendment in a case involving Maurice A. Hutcheson, big but soft-spoken president of the 850,000-member carpenters union, an AFL-CIO vice-president, and a power in the Building & Construction Trades Dept.

Hutcheson recently invoked the Fifth Amendment 37 times before a Senate Public Roads subcommittee. He was asked whether he had received \$15,500 in a five-way split of \$80,000 profit made on a "fast buck" sale of land for an Indiana toll road.

Two other carpenter officials, Vice-Pres. O. William Blaier and Secy.-Treas. Frank Chapman, also accused of profiting in the deal, took the Fifth Amendment before the committee.

• **Important Distinction**—The Hutcheson case was taken by many as a key to whatever possible action the federation

might take against Teamsters' officials, some of whom are slated to go before the Senate within a week's time. But, as the AFL-CIO president explained, "the policy is not automatic—it does not operate by itself. The fact that no union funds were involved draws a very distinct line."

While Meany conceded that "Hutcheson comes within the purview of the Fifth Amendment policy," the case differs sharply from that of Dave Beck, 63, president of the 1.5-million-member Teamsters. Beck is charged with using union funds as though they belonged to him. He admitted having "borrowed" nearly \$400,000 of the Teamsters funds without membership approval and without paying interest.

Meany said: "Beck was removed (as an AFL-CIO vice-president and executive council member) not because he took the Fifth Amendment (when he testified before the Senate Labor-Management Investigating Committee) but because he used union money and had not properly accounted for it. There was a wealth of evidence of misuse of union funds by Beck—including statements of Beck himself that he had 'borrowed' union money."

• **Action Postponed**—While Meany made it clear that the council would not act on Hutcheson's case on the grounds of his past refusal to answer questions before a Senate committee, the council did not wash its hand of the case entirely. In postponing action on the carpenters' president, who insisted that he eventually would be cleared, it left the door open to future action if there are further developments and additional information. A grand jury in Indiana is now investigating the Hutcheson case.

David Dubinsky, president of the International Ladies Garment Workers Union, argued that he was "not ready to vote for suspension of Hutcheson—his case has no comparison with the Beck case."

• **Postponing Trouble**—The AFL-CIO leaders also postponed the day of reckoning for the Teamsters, United Textile Workers, and Bakery & Confectionery Workers—all unions accused of being dominated by corrupt influences and facing possible ouster from the federation. The Ethical Practices Committee submitted factual "progress" reports in each case. But for various reasons the showdowns were delayed.

The Teamsters asked for a delay be-



# Line

yond the "final" date of Aug. 28 that the Ethical Practices Committee had set for the hearing on corruption in their union. They pleaded that their executive board meetings, scheduled for Los Angeles and postponed six times since July 1, tentatively has been reset for Aug. 26. Moreover, Vice-Presidents Hoffa, Sydney L. Brennan, and Frank W. Brewster have been subpoenaed to testify next week before the Senate committee.

The Ethical Practices Committee and the AFL-CIO Executive Council granted the Teamsters a delay until Sept. 4 and 5, when hearings will be held in Washington on the corruption charges.

Meany said that the committee is determined to give the Teamsters "every opportunity to be heard." The committee recommendations will be completed and submitted to a special executive council meeting Sept. 23 and 24.

The Teamsters convention opens Sept. 30 in Miami Beach, Fla. The council believes Teamsters officials will have ample time to digest the council's action.

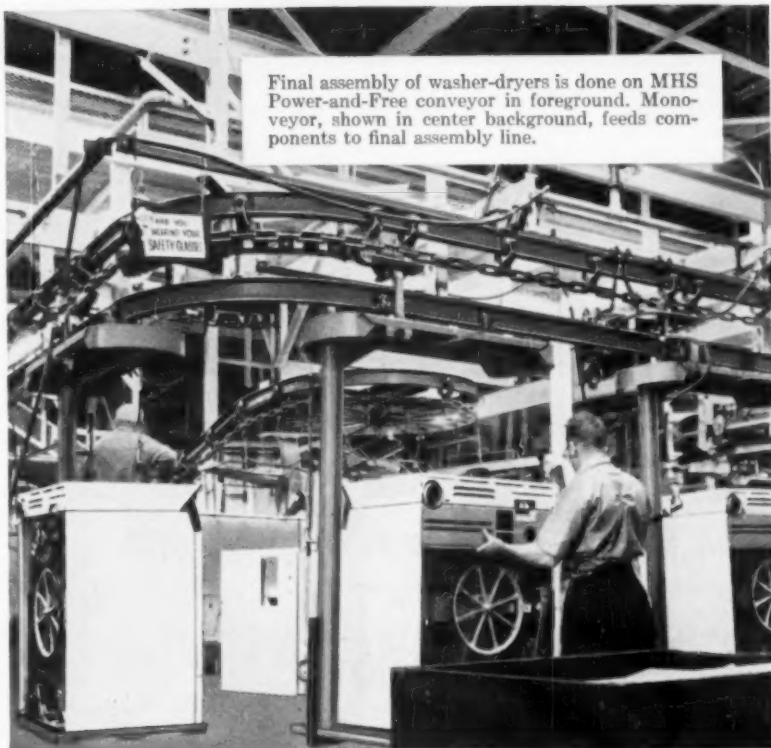
• **Hearing Rescheduled**—The council rescheduled the hearing involving Pres. Anthony Valente and Secy.-Treas. Lloyd Klenert and the United Textile Workers for Sept. 4.

Briefs have been filed in the case of Pres. James G. Cross and the Bakery & Confectionery Workers. The decision will be made at the Council's meeting in late September.

The meeting of representatives of the Building & Construction Trades Dept. and the Industrial Union Dept. with Meany on a pact for settlement of jurisdictional disputes in the construction field was postponed indefinitely.

• **Cooperation Policy**—Meany answered certain union officials who quietly sent out word that they wanted him to change the AFL-CIO's policy of cooperating with the Senate investigating committee.

He emphatically reaffirmed the policy of cooperation and praised the committee for exposing corruption and crookedness in the labor unions. He also pledged that "all cases" of corruption being investigated by the Ethical Practices Committee—with most of the information dug out by the McClellan committee—would be "dealt with" by the executive council. "The exposing of corruption is as good for labor as it is for anyone else," he said. "We'll cooperate in legislation or any other way . . . but we'll resist any attempt to fasten restrictive legislation on labor because of the sins of a few." **END**



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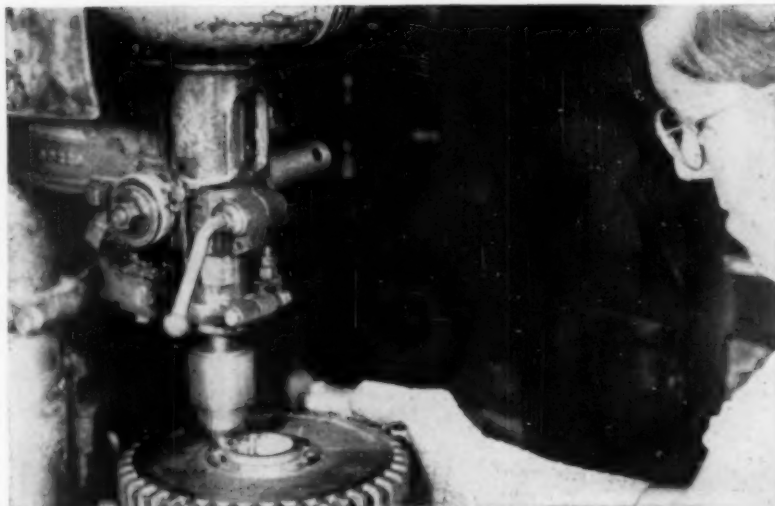
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# Bull Line

Shipping concern faces a strike as union and financial difficulties mount for its parent, American Coal Shipping Co.

THE "GRAND ALLIANCE" of coal producers, coal-hauling railroads, and the United Mine Workers that dazzled the business world last fall by forming a shipping company—American Coal Shipping, Inc.—is running into heavy seas.

The company's troubles are mounting on two fronts:

- The labor troubles (BW—Apr. 20'57, p156) that have plagued it—because of John L. Lewis' part in the management of the company—are getting worse and have American Coal on the brink of a strike.

- The demand for ship bottoms—up during the Suez crisis—is off now. Rates for shipping coal to Europe have slipped from \$16 a ton to \$4.50 and lower. The company now has one ship hauling grain, which it finds more profitable.

- **Strike Threat**—This week, at least one union sent out the word to strike after company officials refused to meet union demands in current wage negotiations with H. H. Bull & Co., Inc., wholly owned steamship subsidiary of ACS.

Unofficially, BUSINESS WEEK learned that Bull's New York and San Juan (Puerto Rico) docks are scheduled to be picketed Aug. 19 by the Masters, Mates & Pilots union that furnishes deck officers for the ships. Other unions that supply engineers and unlicensed crew for the ships are likely to join MMP on the picket lines.

Although the unions disclaim any collusion in the Bull Line negotiations, to avoid running counter to the law, observers see the strike as a well designed plan to throw a real body blow at ACS operations. The same unions, MMP, National Marine Engineers Beneficial Assn., and the Seafarers International Union, have fought ACS from the start over labor contracts.

- **Union Demands**—When MMP and NMEBA contracts came up for annual wage reviews this June 16, the unions asked for more than the 6% wage boost generally being granted by all shipping companies.

The unions claim that there is a good chance Bull Line's 16 ships, operating mainly in the lush U.S.-Caribbean trade where it has a firm grip on profitable cargoes out of Puerto Rico, will be transferred to ACS operations. If this should happen, the unions say, their

# Inherits Labor Troubles



JOHN L. LEWIS, on coal shipping management team, has his share of labor trouble.

men would be out of jobs in spite of company reassurances to the contrary.

So, unions are demanding that Bull start paying additional wages because of job insecurity. Bull officials have refused the demand on principle. Result is a deadlock and a call for pickets.

Bull's negotiations with SIU for unlicensed crews have a deadline of Aug. 17 when the 60-day strike notice filed by SIU as required by law expires. The SIU is making the same demands as MMP and NMEBA, but with little chance of winning them. This accounts for the timing of MMP's strike call for Aug. 19.

• **Root of Trouble**—An underlying factor in the whole labor dispute is the fact that the maritime unions have never liked the idea of ACS entering the shipping business. They are afraid that Lewis' District 50, now furnishing officers for ACS ships, might spread in the field. Privately, they admit they would be just as happy if the company folded.

Up to now, the unions have made a point of keeping Bull Line ships out of the fight over the manning of ACS coal ships. But Capt. John Bishop, veteran MMP secretary-treasurer, openly admits that the kid gloves are off. His union is going to harass ACS operations from every angle. Even if Bull agreed to the

principle of insecurity wages, the unions are likely to make their demands too high for the shipping company to meet.

Both Bishop and ACS know that a strike on Bull Line operations can hurt ACS badly. If Bull Line service is interrupted, other shipping companies are eager to step in to fill the gap. And, once they take cargoes from Bull, it would be hard for Bull to regain them.

• **Early Difficulties**—From the very start, ACS has been plagued with labor difficulties.

The trouble started when the company signed contracts with UMW's District 50 to furnish officers for its ships, and with Joe Curran's National Maritime Union for the unlicensed crew (BW—Feb. 9 '57, p165). Rival maritime unions—MMP and the NMEBA for the officers, and SIU for unlicensed crew—threw up picket lines to protest the ACS contracts. Charges and countercharges were filed with the National Labor Relations Board. Court injunctions were necessary to get ACS ships into service.

• **Temporary Solution**—The immediate outcome was a court ruling that nullified the NMU contract, and an unusual hiring plan supplying crews for the ships. Under the plan, ACS is required to hire seamen according to their length of service aboard American flag ships,

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completely disregarding union affiliation. Eventually, the NLRB will hold elections among crew members to determine which union they want to represent them. Right now, both NMU and SIU are working their oldest members aboard ships—some in their 70s and virtually all over 50—in the hopes of swinging the election their way.

So far, neither union has gained sufficient advantage to call for an election. And more charges are being filed with the NLRB. These must be settled before elections can be held. That means final settlement is a long way off.

• **AFL-CIO Rift**—Concurrently, the spat also has brought about a rift within the AFL-CIO. The protesting unions all are members of that organization. But Curran's NMU refused to honor picket lines thrown up by its sister officer unions to protest the District 50 contract to supply officers for ACS ships. This brought a sharp exchange between AFL-CIO Pres. George Meany and Curran, with internal committees set up to iron out the maritime union's differences. So far, however, these committees haven't come up with any solution.

Although American Coal is caught in a whirlpool of labor disputes and money-losing operations, it still insists that it intends to haul coal and will not be pressured out of business.

• **Drop in Rates**—Last fall when officials of the new company went to the government with a request to use 30 reserve fleet ships, they argued that what the coal industry needed was more American flag ships in the coal market.

Since then the demand for ships to haul coal has fallen off. There are three basic reasons for this: the buildup of coal stocks during the Suez crisis; last winter in Europe wasn't as cold as expected; more coal is being produced in Western Europe than estimated.

Although supposedly at least two of ACS' government-chartered ships are under one-year contracts to carry coal to France at \$11.60 a ton, observers claim that ACS is losing as much as \$30,000 a month on others. And, the company still pays the U. S. \$127,282 a year in charter fees for each ship.

• **Ship Deal**—Last fall the government O.K.'d the use of 30 reserve fleet ships by the company. So far, ACS has received only six, plus one it bought outright. No more will be released until the current labor ruckus is settled. ACS' contract for the government ships will be reviewed in December. U.S. shipping companies are sure to oppose any renewal. But ACS overrode similar objections when it first won approval to use reserve fleet ships. The company is confident that it can get a new contract if it asks for it. Some relief, too, should come this fall when coal rates take a seasonal upturn. **END**

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## K-F Welfare Fund

**Auto company sets up  
health program to use up  
\$1-million in welfare kitty.**

Kaiser-Frazer now has an answer to the perplexing question of what to do with a \$1-million welfare fund when a plant goes out of business. This month, Michigan's Wayne County Circuit Court freed the money from trust to finance a full-scale health program for former K-F employees. It offers free diagnostic medical examinations and treatment for minor ailments.

• **Unexpected Problem**—The Wayne County Court acted to release the K-F fund money on an appeal by the trustees. The case points to a solution to the unexpected problems that arise when a company decides to move or close a plant and finds itself with substantial welfare reserves on hand, in which employees have an interest.

For some time the trustees of the fund have been seeking an "honorable" way to use up the \$1-million reserve (B&W—Dec. 8 '56, p163). The fund was negotiated by K-F and the United Auto Workers in June, 1948, to benefit 22,000 workers. When the Willow Run plant shut down in the summer of 1953, all but a few hundred employees were laid off. But the reserve fund was much larger than necessary to provide benefits for the remaining employees.

• **Pilot Program**—Six months ago, a pilot health program was initiated to determine the feasibility of a health program as a possible solution.

Former employees were contacted by mail and invited to take examinations at the UAW's Metropolitan Hospital in Detroit. They volunteered at the rate of 50 a month. Examining physicians found that 18 out of every 25 had previously undiagnosed troubles.

On the basis of the pilot program, the court gave the green light to the expanded health plan proposed by the K-F fund administrators. All persons employed by K-F at the time of the Willow Run shutdown are eligible whether reemployed or not. Fund trustees say the unique feature of the program—the diagnostic examinations—will not be duplicated in any health benefit program former K-F employees might have at their new jobs.

• **Other Benefits**—The court set aside \$20,000 for hospitalization and life insurance for 250 workers still employed by K-F in Shadyside, Ohio. The remainder of the money will be used to pay for life insurance policies, Blue Cross and Blue Shield benefits for company's pensioners until the fund is depleted. **END**

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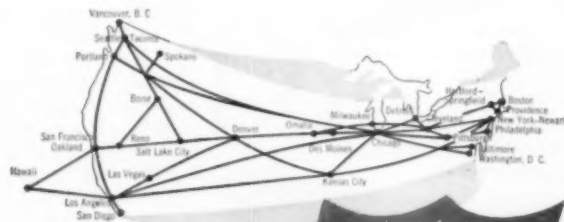
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SAN FRANCISCO to BOSTON . . . . .	\$27.00

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# In Labor

• • •

## Wage Settlements Run Higher

### In the First Six Months of 1957

Collective bargaining settlements negotiated during the first six months of this year averaged 1¢ to 3¢ above comparable settlements for the same period last year, according to the AFL-CIO Collective Bargaining Report.

The bulk (65%) of the 1957 increases, say AFL-CIO researchers, has been 10¢ or more an hour. Almost 35% of these increases were 13¢ an hour or more. Almost 85% of all wage increases negotiated by the AFL-CIO net 7¢ an hour or more. A little over 15% provided increases of 6¢ or less.

This year's negotiations, however, exclude workers in auto, steel, electrical equipment, meat packing, and other industries covered by long-term contracts with no wage bargaining in the first half of 1957.

In the construction industry, AFL-CIO Collective Bargaining Report notes, most major settlements have been from 15¢ to 20¢ an hour. At the other end of the scale, about 5% of 1957 settlements, principally in the textile and apparel industries, provided no wage increases.

The AFL-CIO tabulation does not take into account the value of fringe benefits or the length of the contract.

• • •

## New Auto Workers' Coordinator

### Takes Retired Members Under His Wing

The United Auto Workers' retired workers program got a coordinator this month with the appointment of Charles E. Odell by UAW Pres. Walter P. Reuther.

Odell, who resigned as special assistant to the Under Secretary of Labor to accept the newly created UAW post, will be in charge of the development of the union's program for its 78,000 retired members. The program was placed on a firm financial footing by the UAW convention (BW—Jun. 1 '57, p130) last April.

The 41-year-old Odell comes to UAW with experience as the coordinator of the Labor Dept.'s program for older workers. Odell also served as chief of employment counseling, selective placement and testing for the U.S. Employment Service from 1947 to 1955.

• • •

## "Miscellaneous Objects" Bring On Most Workmen Compensation Cases

Employees meeting with a "miscellaneous object" and suffering a temporary disability thereby formed the largest category of compensated cases under New York's compensation law in the five years, 1950-1954, according to a study by the Workmen's Compensation Board.

Summarizing the cost and character of 602,267 com-

pensated cases closed during the period—with benefits totaling \$463.9-million—the board found that:

- Most cases (62%) were classified as temporary disabilities. Permanent partial disabilities accounted for 37.1% of all cases; industrial deaths, 0.7%; and permanent total disabilities only 0.2% of all compensated cases.

- Most frequent cause (38.3%) was a category described as "miscellaneous objects." Working surfaces accounted for 18.9% of all compensated claims; machinery, prime movers, and power transmission apparatus, 12.2%; vehicles, 9.7%; hand tools, 8.2%; chemicals, explosives, dusts, and other harmful substances, 3.3%; elevators, hoisting apparatus, and conveyors, 2.9%; hot and inflammable substances, 2.2%; and animals, persons, and all other, 4.3%.

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## AFL-CIO Turns Thumbs Down

### On Union Made Up of Organizers

The AFL-CIO Executive Council this week flatly rejected recognition of a union that claims to represent a majority of its 225 organizers. "Organizers," said AFL-CIO Pres. Meany, "are a part of management—in a sense." The organizers' union, the Field Representatives Federation, has petitioned the National Labor Relations Board for a representation election.

The labor federation will fight the issue before NLRB in much the same way employers do in contesting the validity of a union's claim to represent their employees. The AFL-CIO, said Meany, will not consent to an election. This means that NLRB will conduct an investigation and hearings.

The federation may challenge any contention that an employer-employee relationship exists between the federation leadership and the organizers. Many AFL-CIO staff members belong to already established international unions, leaving the new Field Representatives Federation open to the charge of "dual" unionism. But, says Meany, the AFL-CIO "will abide by the NLRB decision."

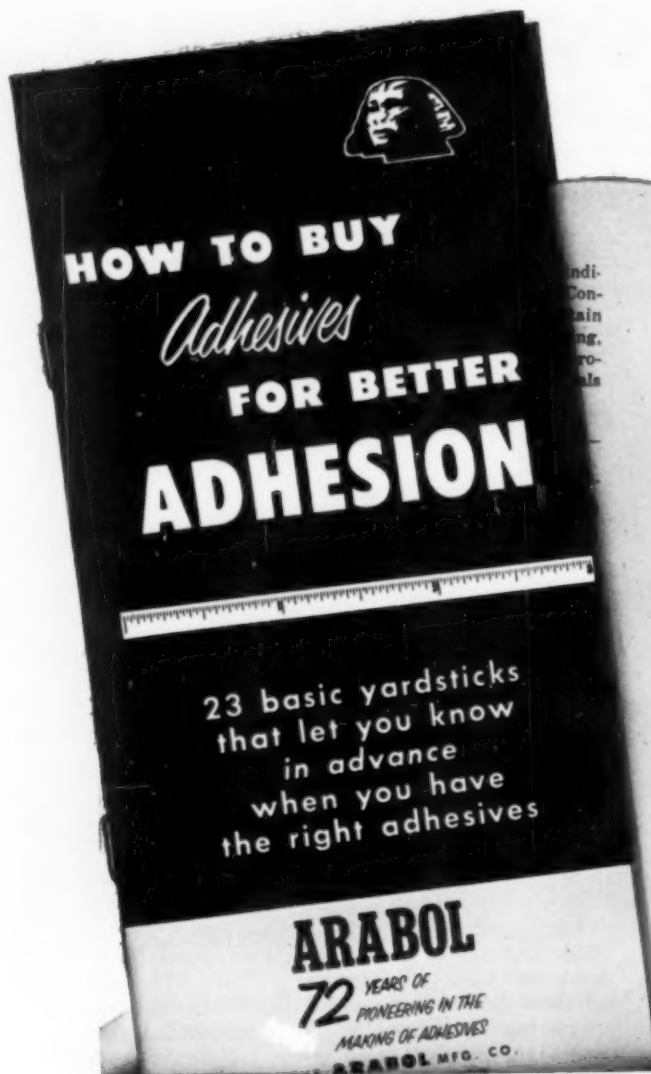
The AFL-CIO at present has contracts with the Office Employees International Union and the American Newspaper Guild covering office and clerical employees and the staff of the AFL-CIO News.

• • •

## Trainmen Put In a Plea To Join Up With AFL-CIO

The largest of the nation's railroad unions, the Brotherhood of Railroad Trainmen (Independent), has applied for an AFL-CIO charter. Members of the brotherhood last month voted 4-to-1 in favor of affiliation.

AFL-CIO action on the BRT application at this week's session of the federation's Executive Council is uncertain. An AFL-CIO spokesman says that all unions already chartered in the same field are asked first whether they have any objections to granting a charter. But it's likely that the 215,000 member railroad union will be the fourth to join the AFL-CIO since the merger, making BRT the 140th union in the federation.



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- 12 Is toxicity a factor? (In dry film or under operating conditions?)
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in your plant. We are prepared to submit formulated samples—for tests to be made in your plant—under your particular working conditions. That is the one kind of testing that assures you of satisfactory results.

It is our privilege to serve the leaders in a hundred industries—and thousands of small users. Your inquiry for the "How To Buy Adhesives" booklet will bring a prompt response. Kindly address your request to Department 66.

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## THE MARKETS

### Wall St. Talks . . .

. . . about tighter money  
still . . . prime rate's ripples  
. . . dividend cuts and omissions  
. . . two lusty commons.

**More money market blues:** Not only the prime bank loan rate and the Fed discount rate—in many areas—have been hiked lately. This week also: (1) The Treasury was assessed 3.498%, its highest short-term borrowing cost since early 1933, on a \$1.7-billion 91-day bill offering; (2) bankers' acceptance rates hit their highest levels since the early 1930s, and (3) a record low—only 92½% of par—was bid for Treasury 3½s, 1978-83.

**The jump in prime rates** for bank loans might also have repercussions in the market for corporate new issues, Streeters say. Here's why: A borrower usually must maintain a compensating bank balance roughly equal to 20% of his loan, and, as Aubrey G. Lanston & Co. points out, "if he borrows \$1-million at 4½% he gets the use of only \$800,000." For this reason, "plus the decreased availability of bank credit . . . [because of] . . . the over-loaned position of many banks," Lanston and others think the result might well be to "further lengthen the line" of borrowers preferring the capital markets.

**Dividend cuts and omissions** may outnumber dividend hikes in August. The last such unfavorable monthly showing was in June, 1954.

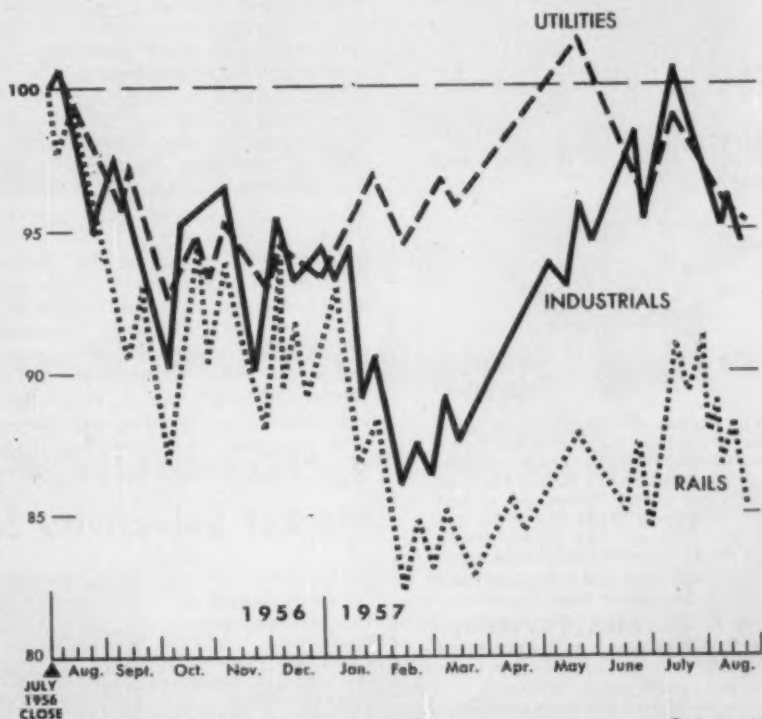
**Management market views differ.** Here's the "official" reaction to the unusual strength of two stocks recently—in a period when most commons have been selling off: A spokesman for Union Chemical & Materials claims "there is a very good reason for . . . activity" in its shares and that an announcement will soon be made. However, Container Corp., owner of 98.6% of the stock in Mengel Co.—which has been jumping sharply—says "we have no idea why the stock" has zoomed and "think its price . . . fantastically high."

**Lo, the poor market letter writer.** The recent persistent drop in prices finally appears to be getting on the nerves of more and more of them. Some, as a Street cynic puts it, have hedged so much that they're now saying, in effect, "if the market doesn't go up, it will go down." At least one has frankly told clients that for a time the market will have to tell its own story.

## The Market—

### After a Year of Indecision

July 1956 Close = 100  
105



Data: Standard & Poor's Daily Stock Price Indexes.

©BUSINESS WEEK

## Bears Unpack Their Bags

**They don't expect to make as long a stay as during the 1937 spill—but they'll be around for a long time.**

**FOR THE WEEK** ended last Friday, the 1,016 Big Board common stocks in our index dropped \$3,373,000,000 (1.61%) on a small volume of trading. Our index is now 6% below its all-time high and back to where it was just three months ago. . . .

This was the discouraging news in the weekly report sent out last Monday to clients of Wall Street's Hemplill, Noyes & Co. by its market technician Harold Clayton. Up to the time the gong closed Big Board trading on Wednesday, no signs had appeared to indicate that the lead paragraph of Clayton's next report will be any more heartening to its readers.

**• Still Skidding**—This week, stocks generally were still in the declining mood they've shown of late (chart above). Even more important, prices again

seemed to be skidding to lower (often sharply lower) levels entirely of their own volition, since trading volume remained at its recent extremely low levels. This fact was beginning to cause increasing uneasiness. What was going to happen to prices per se, more and more Streeters with long memories were asking themselves, should some discouraged market participants suddenly decide to start selling stocks in any sizable amounts?

Street bulls, of course, pooh pooh such fears. Along such lines they're not just engaged in a little "whistling past the grave yard." Normally, as they claim, dwindling trading volumes while prices are falling do have favorable connotations as a technical indicator.

**• History Repeats**—The rub, though, is this: Market history shows that over the years there have been some notable—and mighty expensive—exceptions to this general rule—as any Street veteran can confirm. Turn back, for example, to the records of the 1937 market debacle:

In March of that year, the market

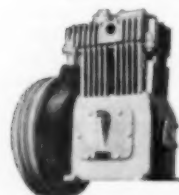
# Pennies a Year

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1 to 90 CFM

# Quincy

COMPRESSORS

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finally stopped the historic price climb it had begun in mid-1932. With that party over at last, the industrial average also was destined to stage over the next 12 months a breath-taking 53% nose-dive. But you wouldn't have suspected what was ahead if you had been using the subsequent early trend of Big Board trading as one of your important market guides and mentors.

Here's why: As prices started to drift lower, daily trading volume for some months actually showed persistent contraction. Whereas in January and February, for example, daily trading often involved upwards of 3.6-million shares and never slipped under a 1.5-million figure, by August this picture had changed considerably. Daily volumes had slipped back into a 1,035,000-share to 455,000-share range. Thus even while the industrial group had registered a sharp 14% price slide, the absence of any real "selling pressure" up to then had lulled many investors and traders into believing what they had been seeing was not the birth of a virulent

bear move but rather merely an uncomfortable "resting period" while the market digested its earlier sharp 1932-37 price gains. As a result, they became easy victims to the wild dumping of stocks that by October was destined to produce a string of 3-million- to 7.3-million-share days on the downside.

• **No Debacle**—It's only fair to say, however, that at the moment, few in the Street expect any debacle over coming months equaling the 1937 spill.

Nor do most "outside-the-trade" market counselors seem unduly worried now. They are cautious, yes, on the premise that more favorable buying opportunities are quite likely to be seen later on. But they claim the basic factors underlying the national economy remain firm, despite all the things transpiring within it of late. Thus, as Moody's expresses it, "if you are a genuine long-term holder of stocks for growth or income," they see "nothing in today's environment that argues for much of any change in your position—no deep risks."

## Market Selectivity Since Last August

Stock Group	Aug. 1, 1956	—1957 Range—		Recent Level	—Aug. 1, 1956 vs.—	
		Low	High		1957 High	Recent Level
Office, business equipment.....	118.20	113.90	163.60	149.81	+38.4%	+26.7%
Drugs.....	24.46	22.13	31.03	29.29	+26.9	+19.7
Food chains.....	37.79	34.47	41.37	41.37	+9.5	+9.5
Oil-integrated international co's.....	84.56	74.16	96.78	92.17	+14.5	+9.0
Oil-crude producers.....	157.50	142.10	184.10	166.85	+16.9	+5.9
Electrical household appliances.....	50.49	43.63	56.73	53.42	+23.6	+5.8
Steel.....	65.93	61.73	73.34	69.52	+11.2	+5.4
Electrical equipment.....	53.85	45.79	60.03	56.55	+11.5	+5.0
Electronics.....	55.40	47.39	61.05	57.96	+10.2	+4.8
Auto parts, accessories.....	33.09	30.64	35.23	34.44	+6.5	+4.1
Tires, rubber goods.....	136.6	121.6	145.8	139.31	+6.7	+2.0
Agricultural machinery.....	21.06	20.48	21.92	20.73	+4.1	-1.6
Railroad equipment.....	22.46	20.54	22.50	21.87	+0.2	-2.6
Automobile.....	58.17	49.59	58.07	55.96	-0.2	-3.8
Soaps.....	29.71	26.05	28.64	28.16	-3.6	-5.2
Shoes.....	19.46	18.13	18.89	18.35	-2.9	-5.7
Cigarette manufacturers.....	15.08	13.98	14.93	14.18	-1.0	-6.0
Distillers.....	54.16	49.81	55.66	50.82	+2.8	-6.2
Food companies.....	25.83	22.97	24.28	24.18	-6.0	-6.4
Machinery.....	49.72	53.49	49.06	50.06	+17.6	-6.4
Oil-integrated domestic co's.....	68.86	59.94	69.67	63.78	+1.2	-7.4
Mining, smelting.....	43.18	38.49	45.00	39.39	+4.2	-8.8
Coal-bituminous.....	92.53	83.57	96.76	84.04	+4.6	-9.2
Containers—metal & glass.....	26.62	22.45	24.53	24.15	-7.9	-9.3
Metal fabricating.....	56.22	48.19	55.12	50.91	-2.0	-9.4
Chemicals.....	49.96	40.62	47.21	45.01	-5.5	-9.9
Auto trucks.....	33.99	29.46	33.87	30.27	-0.4	-10.9
Textile weavers.....	24.22	21.13	23.77	21.42	-1.9	-11.6
Building materials.....	67.96	57.31	62.55	59.65	-8.0	-12.2
Department stores.....	48.37	40.75	43.93	42.33	-9.2	-12.5
Aircraft manufacturing.....	61.45	53.66	71.01	53.66	+15.6	-12.7
Rayon, acetate yarn.....	31.23	27.31	30.77	26.96	-1.5	-13.7
Soft drinks.....	14.83	11.94	13.95	12.73	-5.9	-14.2
Radio, TV manufacturers.....	57.89	45.82	52.88	48.97	-8.6	-15.4
Mail order, general chains.....	46.62	36.53	40.86	38.57	-12.4	-17.3
5¢, 10¢, \$1 chains.....	17.11	14.12	15.10	14.12	-11.8	-17.5
Containers—paper.....	113.70	89.09	98.78	92.36	-13.1	-18.8
Vegetable oils.....	30.15	24.23	27.73	24.23	-8.0	-19.6
Copper.....	40.88	31.47	37.50	31.47	-8.3	-23.0
Paper.....	189.4	133.6	151.7	142.32	-19.9	-24.9
Aluminum.....	177.4	120.93	147.49	128.30	-16.9	-27.7
Machine tool builders.....	40.10	27.90	37.43	27.90	-6.7	-30.4
Air transport.....	32.51	22.41	30.07	22.44	-7.5	-31.0
Lead & zinc.....	15.11	10.12	13.58	10.33	-10.1	-31.6

Data: Standard & Poor's Weekly Stock Price Indexes (1941-1943=10)



Precision-made parts are assembled on site. Even large buildings go up fast—"move in" time is reduced.



Rigid frame design permits floor-to-ceiling, wall-to-wall use of space. Buildings can be completely insulated.

## Why Armco Steel Buildings give you more value for your money



Buildings can easily be enlarged or modified by adding standard units.



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Armco Steel Buildings give you more solid value for your building dollar. The reasons: Basic Armco plans save preliminary design and engineering costs. Factory-engineered parts are delivered to your site ready for rapid assembly. Standard panels lock together quickly, then are bolted top and bottom. This modern technique saves many costly steps of conventional construction.

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In an Armco Steel Building you get a weathertight structure that withstands greater wind and snow-loading. The aluminum-coated or zinc-coated steel panels assure *extra* durability. Maintenance costs are greatly reduced, too.

Attractive, long-lasting steel buildings are available in more than 5000 sizes, from 28 sq. ft. to more than 100,000 sq. ft. with clear spans up to 100 ft. Interiors can be finished just like any other building.

Before you make a decision on your building needs, be sure to get the full story on Armco Steel Buildings. Armco Drainage & Metal Products, Inc., Middletown, Ohio.

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## Imagination . . . it's magic for those who want to go places

**Imaginative minds** are flexible. They stretch and soar toward new ideas, turn revelations into realities.

**Example:** Parker Aircraft Co. Fuel Division makes these pressure refueling nozzles. "Fluid thinking" design leadership at Parker created the ground nozzle (right) for military service — on hose carts, refueling trucks, and landing field hydrants where many aircraft can refuel simultaneously. Parker also produces the new nozzle (left) for in-flight refueling.

**Parker specializes** in hydraulic and

other fluid system components . . . tube and hose fittings, synthetic rubber O-rings and other precise sealing devices, highly engineered valves and related intricate units . . . for the aircraft, mobile equipment, metalworking, automotive, chemical and many other industries.

**If you're seeking** a dependable source for components resulting from "fluid thinking", call us in. The Parker Appliance Company, Cleveland 12, Ohio, and its subsidiary, Parker Aircraft Co., Los Angeles 45, California.



# Parker

Hydraulic and fluid  
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Parker operates 8 divisions — with plants in Cleveland and Eaton, Ohio • Berea, Ky. • Los Angeles, Culver City and Inglewood, Cal. (129 distributors in industrial centers)



# PERSONAL BUSINESS

BUSINESS WEEK

AUG. 17, 1957



If you expect to vacation in Europe this fall, you may want to mix business with pleasure and attend one or more of the autumn trade fairs that soon will be setting up shop. Chances are at least one of these shows relates directly or very closely to your own business.

And while you're making travel plans, look ahead to the Brussels World's Fair, 1958—this is something to act on now.

There are over 40 major items on the schedule for this fall—in Britain and on the Continent. Probably best known (in the U.S.) will be the three big European auto shows—the International, Paris (Oct. 3-13), the Motor Exhibition, London (Oct. 16-26), and the Italian Motor Show, Turin (Oct. 30-Nov. 10).

Here are a few other important attractions that may fit in with your travel plans:

- **Germany**—International Building Exhibition & Building Machinery Fair, Berlin (now until Sept. 29); International Fall Fair, Frankfurt (Sept. 1-5); German Industries Exhibition, Berlin (Sept. 14-29); International Instruments & Automation Show, Dusseldorf (Nov. 2-10). Specialized German shows will display leather goods, hardware, machine tools, textiles.

- **Great Britain**—Agricultural Machinery Exhibition, London (Dec. 2-6).

- **The Netherlands**—International Trade Fair, Utrecht (Sept. 3-12); International Plastics Fair, Amsterdam (Nov. 13-20). Specialized shows include a radio exhibition.

- **Switzerland**—Comptoir Suisse-Swiss National Fair, showing the leading industrial products of Switzerland, Lausanne (Sept. 7-22). Special shows will cover agricultural and dairy products.

Purely for fun—unless you have a stake in these industries—are such shows as the Gastronomic Fair in Dijon, France (Nov. 2-17), the International Book Fair, Frankfurt, Germany (Oct. 5-10), and the Handicrafts & Hobbies Exhibition, London, England (Sept. 19-28).

For details, write to the New York travel bureaus or consulates of the countries concerned.

Looking ahead to next year, the big attraction in Europe, of course, will be the Brussels World's Fair (Apr. 17 to Oct. 19). Forty-eight nations and seven international agencies will take part in this show—the Belgian version of the big "world's fairs" staged in this country.

In addition to national and industrial exhibitions, the Brussels Fair will feature a world art show (with masterpieces from all nations), an international science show, and drama and music festivals. The Belgians have been preparing for 10 years—they expect 40-million visitors.

Now is the time to plan your visit to Brussels—especially if you will have to rely on hotels, motels, or semi-private accommodations. Housing for the fair will be tight, with the leading hotels already booked heavily. Your best bet may be to take advantage of any private contacts you may have in Belgium, through your firm or friends.

You can get information about hotels, inns, and "pensions" by writing to LOGEXPO (official agency representing all places offering accommodations), 35 Rue Belliard, Brussels, Belgium.

For general information—particularly concerning U.S. participation in the show—write to the U.S. Commissioner General, Brussel's World's Fair, 45 Broadway, New York, N. Y.

# PERSONAL BUSINESS (Continued)

BUSINESS WEEK

AUG. 17, 1957

Skin diving is healthy fun for most swimmers—but for those who go overboard on the sport, it can mean serious illness or injury. Here are some common-sense points to keep in mind:

Elementary skin diving—where you dive without a mechanical air supply and go down maybe just 10 ft. or 12 ft.—is generally not hazardous if you're healthy and a strong swimmer. This assumes that you follow standard safety rules, such as not swimming alone or just after eating.

More often, the real underwater danger lies in "scuba" diving—where you use an air cylinder and breathing apparatus and go down to much greater depths—25 ft., 50 ft., 100 ft., or even deeper.

In this high-pressure area, if you ignore safety rules you risk a lot more than a mouthful of water or a bruised ankle.

The safety rules here have to be followed closely, for instance: Never ascend faster than 25 ft. per minute; while ascending, breathe and exhale, don't hold your breath. Ignore such rules and you run the risk of:

- A serious accident, or an injury (especially to ears or lungs).
- Caisson disease, with symptoms of pain in the joints and muscles, or nitrogen narcosis, in which the anesthetic action of the nitrogen in air breathed at depths of over 100 ft. causes the diver temporarily to lose his reasoning ability.

For persons in poor physical condition, and those with ailments such as arthritis, infections of the ear, sinusitis, and any disease of the heart or lungs, skin diving and scuba diving are special hazards. Overly heavy people and those suffering from a little too much fun the night before also should stay above water. So should nervous, tense persons—they're an especially poor risk under water, according to medical reports.

If you—or a youngster in your family—are really serious about deep diving of either type, good basic guides can be found in *Underwater Sport*, by Al Vanderkogel (Holt, \$3.50), and *Skin Diving and Exploring Under Water*, by John Sweeney (McGraw-Hill, \$3.50).

—•—

There's a strong tie between heavy coffee consumption and a heavy score on the bathroom scales, according to a Midwestern dietary specialist. Overdosage of coffee stimulates nerves, which in turn cause increased nervous tension, says this doctor. And the increased tension leads to (1) overeating (to provide a release from "nerves"), and (2) still heavier coffee drinking.

The result in some cases: obesity.

Most of his overweight patients, says this specialist, drink considerable quantities of coffee—at least six cups a day. If this is cut to three cups, at most, the individual will have an easier time getting down to his proper weight and maintaining it at that level.

Drinking decaffeinated coffee is one simple idea that has helped many of his overweight patients, the doctor adds. It's a way to keep coffee lovers fairly satisfied.

—•—

And speaking of coffee lovers: If you want to have fresh coffee beans ground in your kitchen at home, now you can get a new type coffee mill that grinds one pound (made by Waring Products Corp., \$17.95). It's an attachment to the Blender.



EXPANSION JOINTS



## Drinking heavily for 30 years and still healthy

This U. S. Rubber Expansion Joint has been drinking brackish sea water (at temperatures from 50 to 100 degrees F.) for three decades. It and another identical 36" U. S. Rubber Expansion Joint are at work on the intake lines of #5 condenser at the Reeves Avenue Power Station of the Virginia Electric & Power Company in Norfolk, Virginia, where they compensate for the vibration, expansion and contraction caused by pumping the sea water. These are two of the first rubber expansion joints ever installed *anywhere*.

U. S. Rubber Expansion Joints are the economical, flexible connections that are used in all kinds of pipe lines to take care of misalignment, vibration, expansion and contraction, and noise transmission. They have no moving parts to wear or bind. They can be installed on both new and old piping and equipment. They are available (along with expert engineering service) at any of our 28 District Sales Offices, at selected distributors or write us at Rockefeller Center, N. Y. 20, N. Y. In Canada, Dominion Rubber Co., Ltd.

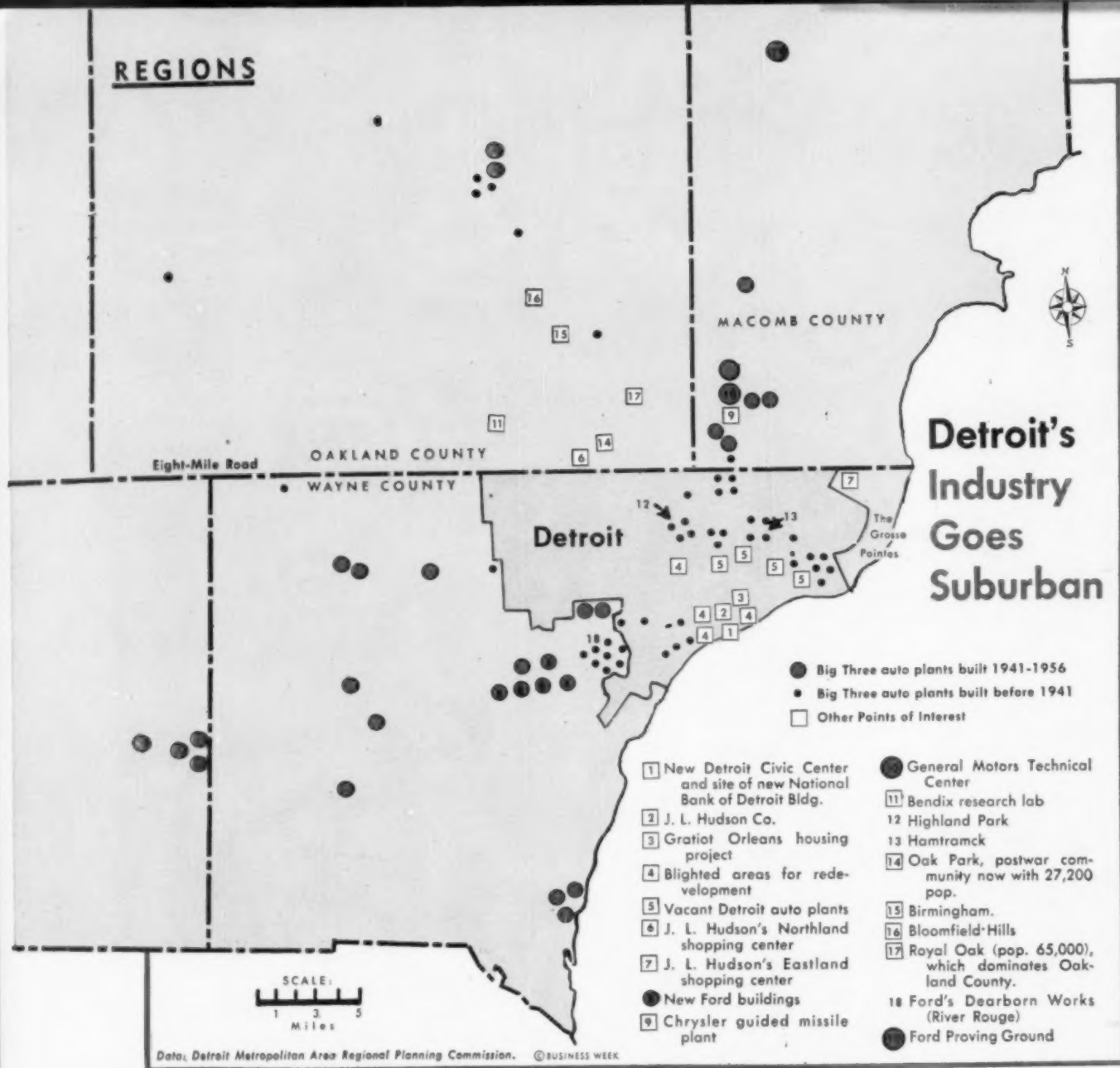


Mechanical Goods Division

# United States Rubber

See things you never saw before. Visit U. S. Rubber's New Exhibit Hall, Rockefeller Center, N. Y.

## REGIONS



# Dynamic Detroit Loses Some of

Industry—particularly the auto industry—has been deserting Detroit for the suburbs (map). Now the city wonders what to do about unemployment and vacant plants.

**D**ETROIT, with the fondness of most cities for nicknames, usually alliterative, likes to call itself Dynamic Detroit. The slogan was coined in a day when the city was unchallenged as a capital, first and foremost of the auto industry but also, at least symbolically, of the entire U. S. system of assembly-line mass production.

Now it's a question whether Detroit

the city is so dynamic after all. The challenges come from Detroit's very own suburbs (every new Big Three auto plant built in the Detroit area in recent years has been outside the city limits) (map, above). They come also from distant cities into which manufacturers have decentralized to take their plants closer to markets.

• **Municipal Migraine**—Take a look at

some of the symptoms the city is suffering:

- In seven years, 163 plants have moved out of town, with virtually nothing coming in to take their place. Nearly 10-million sq. ft. of factory space are vacant.

- A survey last year showed that almost 200 more plants employing 60,000, would like to move, too.

- Heavy industry—autos and all the kindred businesses—no longer is the chief support for Detroit's labor force. In the Detroit metropolitan area, only 596,000 workers are employed in manufacturing, against 695,000 now earning





ALMOST 20% of Detroit's homes are at least 50 years old. With federal aid the city proposes to redevelop the blighted areas.



EMPTY AUTO PLANT is one of 163 factories inside city limits abandoned in last seven years. Others would like to go.

JOBLESS list in Detroit area last month reached 7%, sufficient for Labor Dept. to declare it an area of substantial labor surplus. Here workers await unemployment benefits.



## Its Steam

their keep in nonmanufacturing jobs.

• Last month, 110,000 Detroit workers were out of a job. And last week the U.S. Dept. of Labor declared Detroit, with 7% of its labor force unemployed, an area of substantial labor surplus. Even with the upturn that will come with completion of the change-over to 1958 models in the auto plants, the city probably will have to live with "permanent" unemployment of 75,000 or more—equivalent to 4% to 5% of the labor force.

• **Detroit's Paradox**—Curiously, the distress is most acute only inside Detroit proper. Across Eight-Mile Road—the

## Shaken by Industry's Exodus, Detroit Plots A Program to Clear Away Areas of Blight



**NEW HOME** for National Bank of Detroit, adjoining Mayor Cobo's streamlined Civic Center, will be first new multi-story commercial building erected in city since 1929.



(Story starts on page 156)

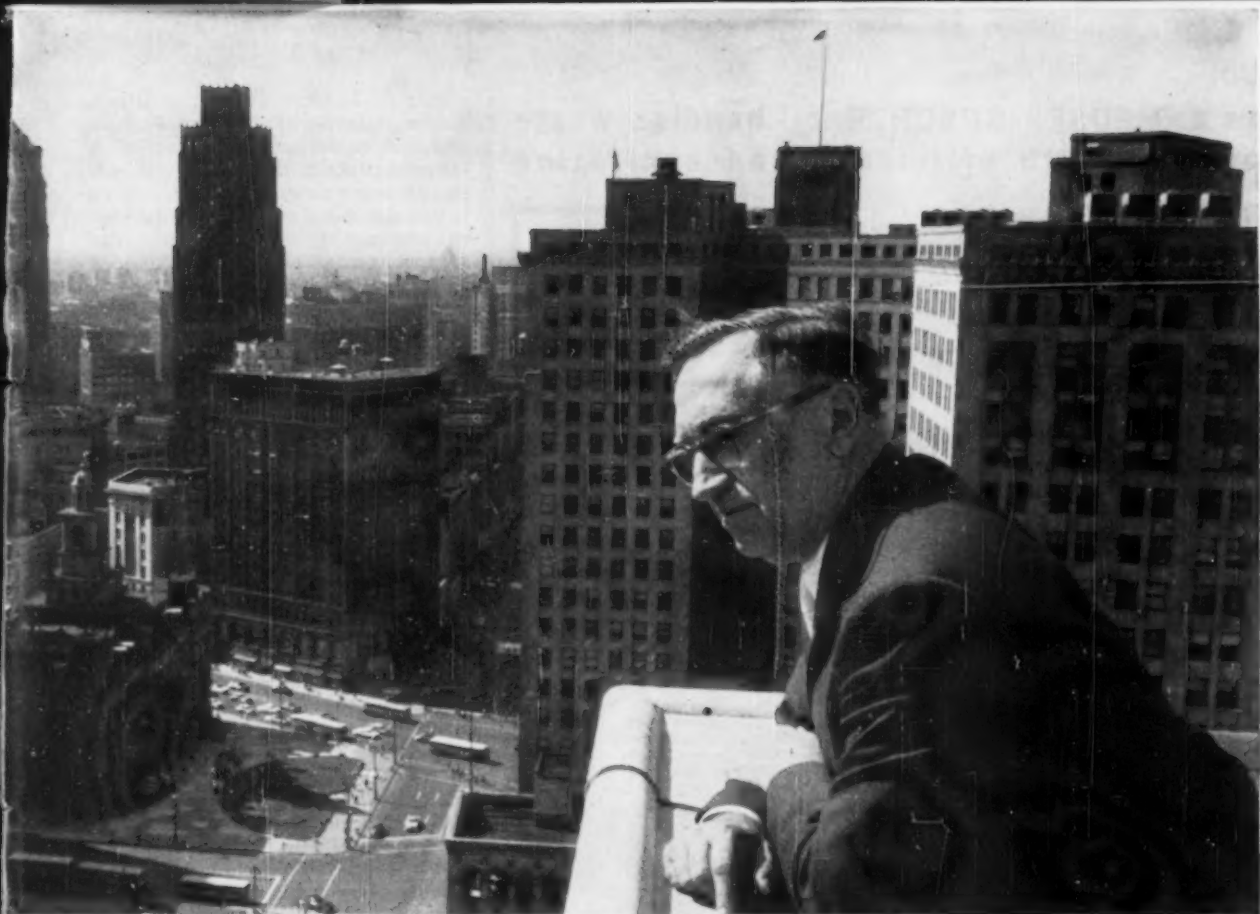
east-west arterial that bounds the city on the north—in Oakland and Macomb Counties the atmosphere suggests Detroit in its headiest days of boom. The air is thick with clay dust from ground-breakings for new plants, new shopping centers, new homes by the hundreds. Bucolic countryside has been replaced by such up-to-the-minute installations as General Motors' polychrome new Technical Center, Ford's proving ground, with its roller-coaster track, and the Bendix research lab.

### I. Detroit's Dynamic Days

Detroit isn't alone among U.S. cities in having to watch its suburbs burgeon while it dawdles. Many cities are becoming 9-to-5 workrooms for people who live—and spend—outside. But in Detroit the trouble is that industry is becoming suburban, too.

What's more, the suburban areas are becoming more and more bumptiously self-sufficient. Says one suburban newspaper editor of what to do about Detroit and its problems: "Start a bulldozer at the Eight-Mile Road and shove it all into the river. We don't need it."

The suburban editor's view of Detroit is extreme. It still ranks fifth



MAYOR COBO, surveying Detroit from atop the new City-County Bldg., instituted a \$689-million capital improvement program.



SHOPPING CENTERS such as Northland, sponsored by J. L. Hudson, enable suburbs to the north to be independent of Detroit.



## How ANHEUSER-BUSCH, Inc. handles waste materials with efficiency and sanitation



### THE DEMPSTER® SYSTEM

ANHEUSER-BUSCH, INC. requires the highest standards of efficiency and sanitation in handling waste materials at its Los Angeles brewery. To maintain this standard, ANHEUSER-BUSCH, INC. uses the DEMPSTER-DUMPSTER SYSTEM. This method isolates and controls wastes from the moment it becomes waste. Dempster-Dumpster Detachable Containers are located at convenient on-the-spot accumulation points. As each is loaded it is picked up, hauled and emptied by a truck-mounted Dempster-Dumpster operated by only one man, the driver. Like many companies, Anheuser-Busch, Inc. contracts the handling to a Dempster-Dumpster System Contract-Hauler, in this case BENZ DISPOSAL CO.



You, too, can make substantial reductions in materials handling costs with this modern system — and reduce fire hazards, plus effecting tremendous improvement in plant-wide cleanliness and sanitation! There is a Dempster-Dumpster Container to suit the material, regardless of description. And any required number of containers are handled by one Dempster-Dumpster with only one man, the driver! Write us today for complete information. Manufactured by Dempster Brothers, Inc.



Should your needs call for the use of only a few Dempster-Dumpster Containers, ask us for the name of the DEMPSTER-DUMPSTER SYSTEM Contract-Hauler in your city.



**DEMPSTER BROTHERS, 487 Dempster Bldg., Knoxville 17, Tenn.**

160 Regions

among U.S. cities (1950 population: almost 1.9-million). Industrially, it's still vital to the nation. And there is tangible evidence that the city is stirring to cope with its woes.

But this doesn't argue away the exodus of plants, the vacant factories, the unemployment. They are a lugubrious contrast to Detroit as it used to be.

• **Men and Time**—Detroit was founded in 1701, but it grew up with the automobile (BW—Nov. 5'49, p26). Only 50 years ago, lower middle class residences stood only a block away from the present site of the Statler Hotel; in one of them Henry Ford built his first flivver.

No one planned the city as the auto capital of the world. It happened that way primarily because of two factors:

• In the 1890s, Detroit was thriving as a producer of ship engines, carriages, and locomotives. These industries attracted an abundance of skilled craftsmen in metal and wood.

• At the same time, Detroit master mechanics such as Ransom Olds, Henry Ford, and others were interested in building a self-propelled vehicle. When the panic of 1893 caused a depression, they had the time to do so.

Olds founded his motor works in Lansing in 1897, two years later set up Detroit's first auto factory because a wealthy Detroit backer insisted it be there. When the Detroit plant burned in 1901, Olds filled orders by farming work out to other machinists—including Henry Leland, David Buick, and the Dodges. With the advent of the Ford Motor Co. in 1903 and the Model T in 1908, Detroit was the auto center. As other auto manufacturers, parts makers, and suppliers moved in, it became even more so.

Of all the auto companies founded outside Detroit, only three survived: Studebaker, Nash, and Willys.

• **Up Again, Down Again**—Detroit flourished with its industry. During the 1920s, production rose in crescendo. That decade's top output—almost 4.5-million passenger cars in 1929—was not exceeded until 1949. Simultaneously, new buildings sprouted on the city's skyline. They were the last until recently.

The Depression hit Detroit hard. It didn't really recover until World War II. To keep the city going in the meantime, a mountainous debt had to be refinanced. Some of this debt, dating back to before the Depression, will not be repaid for another three years. The Depression's punch was so telling that even now it is a cash town; most of its older homes are owned free and clear by the occupants, still wary of going deeply into debt.

The war revived Detroit. It was the 1920s all over again. New plants spilled out over the city limits to keep pace



with the demand for war production.

• **Postwar Problems**—The tempo didn't slacken when war ended. Everyone wanted a new car, and the demand had not yet been slaked when Korea became a scene of battle. As late as January, 1953, the plants were still crying for new hands on the assembly lines.

But suddenly, in mid-1953, the auto market shifted. Cars had to be sold to a price-conscious public—instead of allocated. This squeezed the city's smaller auto companies—Kaiser, Hudson, Packard—first into mergers, finally into closing their plants. The big companies began competing more closely and scrutinizing costs; machines replaced highly paid but unskilled labor, and "do-it-yourself" projects by the auto makers closed out suppliers such as Murray Body Corp. and Motor Products Corp. In the same period Briggs Mfg. Co. sold its auto body and stamping works to Chrysler.

## II. Newcomers in Waves

As the auto industry grew, so did Detroit's population—from less than 1-million in 1920 to more than 1.6-million by 1940, plus 100,000 in the island cities of Hamtramck and Highland Park, both completely surrounded by Detroit.

In the 1910s and 1920s, as the big plants went up on the East Side and in Hamtramck and Highland Park, newcomers arrived from everywhere to take advantage of the good pay that could be earned without training on the assembly lines.

Detroit has one of the country's largest Polish populations (in Hamtramck) and a concentration of Lebanese and Maltese, seldom found outside New York. Even in recent years, as many as 15% of Detroit's people have been foreign-born.

During World War II and after, Detroit turned to the hills and farms of the South whenever it ran out of people. As the earlier arrivals prospered and moved out of deteriorating neighborhoods, the late-comers moved in.

• **Rooted Stock**—The Detroiters dating from the first surge of growth have been there two generations now. The children have often been better educated than their parents, but they have stayed in Detroit. Many of them have known only one city, some of them only one neighborhood. Some say this is the reason for what has been described by critics as Detroit's home-town myopia—a failure to see that anything is wrong with the town.

Maybe 100,000 of the city's 550,000 homes are more than 50 years old. But the owners bravely hide the scars with fresh paint, lawns, and flowers. Maybe plant after plant has closed, but the people are sure they will reopen. They



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"... many—if not most—  
Oakland and Macomb  
County residents don't even  
work in Detroit . . ."

DETROIT starts on p. 156

are sure, too, that the city is really doing fine. They have ridden out other economic ups and downs.

### III. Detroit Left Behind

The Detroiters' optimism rests on the assumption that the city of Detroit will prosper because the Detroit metropolitan area is doing so. That may not be a safe assumption.

Basically, the metropolitan area consists of three counties: Wayne, Oakland, and Macomb. Detroit is in Wayne County, and if you live in Wayne County, you feel that you live in Detroit (unless, of course, your address is Dearborn, a proud, self-contained city famous for Ford plants). But Oakland and Macomb Counties are different:

- Their only real link with Wayne County is as a customer for water. Even this they resent—and someday may avoid by tapping Lake Huron.

- They are essentially Republican; Wayne is Democratic and the source of political strength for Gov. G. Mennen Williams and the United Auto Workers.

- Detroit's roads and sewers run on into Wayne County; they stop at the edge of Oakland and Macomb.

- Many—if not most—Oakland and Macomb County residents don't even work in Detroit any more, now that so many new plants have risen in their own environs.

- **Emigration**—There's another important distinction: Oakland and Macomb Counties are prospering at Detroit's expense. The trend began during the wartime boom, when the city ran out of room for new plants and there was plenty of space available outside. It accelerated as more and more workers drove their own cars to the job, instead of riding public transportation, and as horizontal, spread-out design became more and more popular for plants. Industry needed lots of land both for the plants and for the adjacent parking lots that workers demanded.

Detroit didn't have the space, and, besides, its taxes were high and its existing plants antiquated. (At the same time, of course, other new auto plants were going up all across the country, close to the markets.)

Eventually, the city-dwelling worker commuting to a job in the suburbs decided it would be nicer to live in the country, too. Shopping centers followed. Now, some of the suburban communi-

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ties are fully integrated—people live, work, and shop there. In each of them, the residents have their own problems, and they tend not to care about Detroit.

• **Busting Out**—The growth in the countryside continues. The GM Technical Center and the Ford Proving Ground are already there; now a new home for the Burroughs Corp. and office buildings for insurance companies are scheduled. On the western edges of Dearborn, Ford is erecting four 12-story metal and glass structures to house engineering and division headquarters.

From 1940 to 1953, Macomb County gained 32 plants; its manufacturing employment shot from less than 3,000 to almost 50,000. Oakland County won 26 new plants; manufacturing jobs jumped from 20,000 to 69,000. More have arrived since 1953.

Meantime, the city of Detroit's population is almost stagnant. By 1960, it will not be much more than 2-million, according to Detroit Metropolitan Area Regional Planning Commission estimates. But the metropolitan area, now with 3.5-million people, is expected to add another 500,000 in the next three years. By 1965, it is estimated, it will expand to nearly 5-million.

• **Tax Distress**—This disparity between Detroit and its neighbors means trouble for the city. As if unemployment and vacant plants weren't enough, there are tax problems. The city government lives on real estate and personal property taxes, and the tax loss from empty factories already amounts to \$4-million annually. Every time another plant closes, the taxes on the remainder have to go up.

So Detroit faces a serious question: How can it undertake a redevelopment program without pushing tax rates still higher to pay for it? And if taxes go higher, won't this induce even more industry to evacuate?

• **The Brass Complains**—Along with taxes, businessmen in Detroit mutter about other subjects. Detroit wage levels are extremely high, and, some of them say, productivity low. Land in the city is expensive, too.

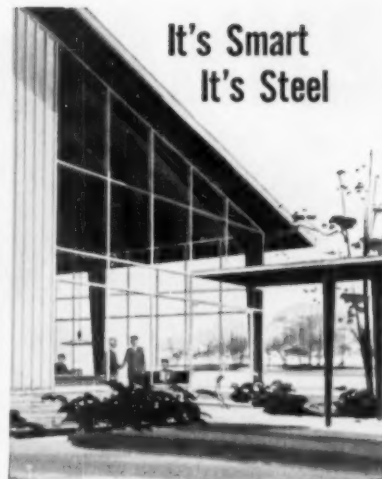
Then there are stories of frustration at City Hall when a company seeks rezoning of land to allow plant expansion or addition of a parking lot. Says one insider: "To get new industry in here you have to change the business climate."

### IV. Vigorous Measures

Even though Detroit's distress is real, it would be premature to write the city's obituary. It has its share of strong points:

- The labor force is highly trained.
- The population is stable. Only

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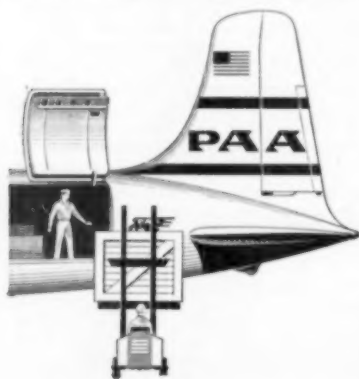
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**"... Detroit's output is especially healthy in a year such as 1957 ..."**

**DETROIT starts on p. 156**

Philadelphia has more owner-occupied dwellings.

- Median family income in the Detroit area in 1955 was \$5,700—by one estimate, the highest in the nation.

- Retail sales bettered the \$5-billion mark last year.

To be sure, its share of total employment in the U.S. motor vehicle equipment industry fell from 46.9% in 1939 to 36.4% in 1955. But in the same time span Detroit's number of workers employed in that industry increased from 215,000 to 326,000. And although its share of U.S. auto output is smaller, its actual production is still high, because over the years total production has been climbing. Detroit's output is especially healthy in a year such as 1957, when Chrysler is flourishing, because alone among the auto makers Chrysler still concentrates its plants inside the city limits.

- **Applying the Remedy**—Then, too, the city is earnestly trying to apply therapy to its troubles. For one thing, it has a record of accomplishment from a \$689-million capital improvement program, responsible for:

- A network of depressed expressways to speed traffic downtown. (But, observes one caustic critic, the expressways "don't get the people downtown; they get them out.")

- Three gleaming new public buildings in a four-unit \$100-million Civic Center on the river front.

- Construction of the new Gratiot Orleans housing project on slum-cleared land close to downtown.

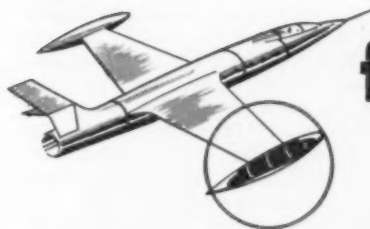
There's a question among some Detroiters as to whether the streamlined Civic Center, albeit attractive, will bring new jobs. Mayor Albert E. Cobo is sure it will. He thinks the city needs a "show window."

The mayor also defends the redevelopment of a big East Side area for the housing project instead of for industry. "I think people would like to come back into city areas if modern apartments are set up," says Mayor Cobo. "They are tired of commuting."

The Gratiot project, which the UAW helped revive after a false start, covers 78 acres and will cost an eventual \$35-million. Its 1,700 dwelling units, the first of which will be opened next January, will include both high-rent (up to \$250 a month) and medium-price (\$85 a month) quarters. There will also be a shopping center and schools.

- **Cadre of Leaders**—The UAW's role in stimulating the housing project was





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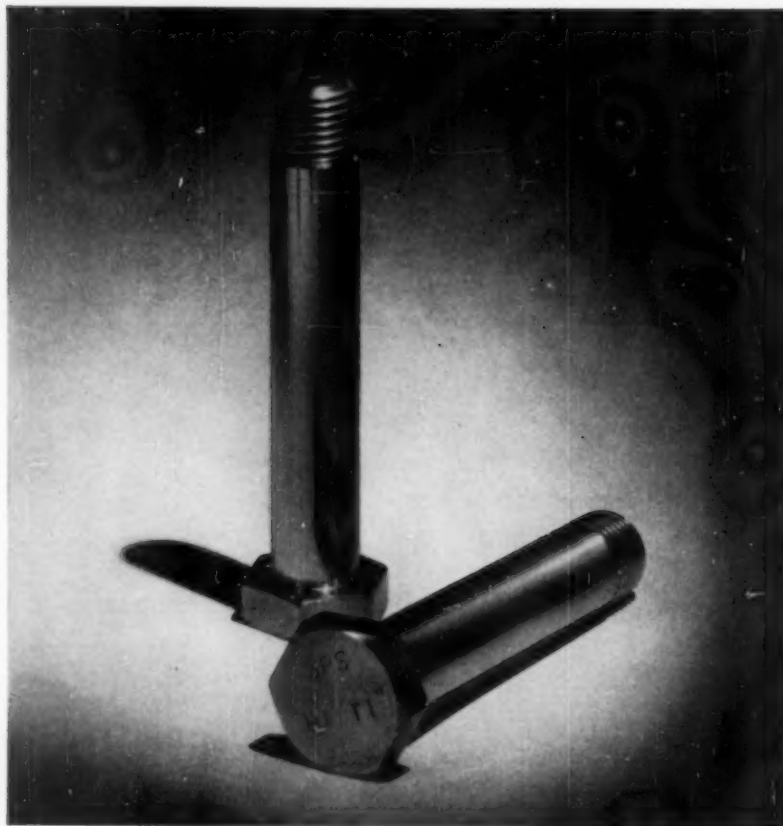
tract to meet the stress of modern-day curtain wall structures, sealants based on THIOKOL liquid polymers are widely used in the building industry.

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significant, because it isn't always privy to the councils of community leaders. For example, none of the 250 members of Mayor Cobo's Detroit Tomorrow Committee—set up to plan civic improvements—represents the union. Big groups of realtors and small businessmen are also excluded. The real rulers of Detroit are the big retail merchants and real estate operators; the most influential is Oscar Webber, president of the J. L. Hudson Co. department store. Surprisingly, the auto men don't run the city, despite their willingness to donate both time and money when asked.

Now that the city has set an example with its Civic Center along the river, private interests have begun to follow suit.

- The National Bank of Detroit is building a 14-story, \$15-million home nearby—Detroit's first new multi-story commercial building since 1929.

- Great Lakes Greyhound Lines is putting up a new terminal and offices opposite the new City-County Bldg.

- There are murmurings about a new Hilton Hotel.

- **Clear That Blight**—The emphasis now is on redeveloping blighted areas for industry. For one thing, the city wants to win approval of federal aid for clearing them before the program expires (as it may). For another, industrial revival is the chief campaign pledge of Louis C. Miriani, who aspires to succeed Mayor Cobo when he retires.

The city proposes to acquire five or six blighted zones for clearance and resale to industrial or commercial developers. The plan will take a long time to complete, though; land will have to be condemned at the beginning, and later buyers will have to be recruited.

Will new business come to the new Detroit? And can the present exodus be halted? No one knows for sure. One big Detroit corporation, whose executives are active in planning the revival, will keep its plant in the city, but management will move into a new suburban headquarters. Some Detroit backers point to the industrialist (with \$12-million in annual sales) who took over a losing company and managed to make money in an obsolete plant. He admits, however, that he wouldn't be in Detroit if he were starting fresh.

- **Over the Horizon**—One visionary hope for Detroit the city lies in the prospects for the region it serves. Michigan anticipates a new burst of industrial growth because of its abundance of water, thanks to the Great Lakes. With the St. Lawrence Seaway in operation, Detroit will be a world port. Established as a trading area for its region and a center for diversified industry of its own, it might be able to regain its former lustiness and importance. **END**



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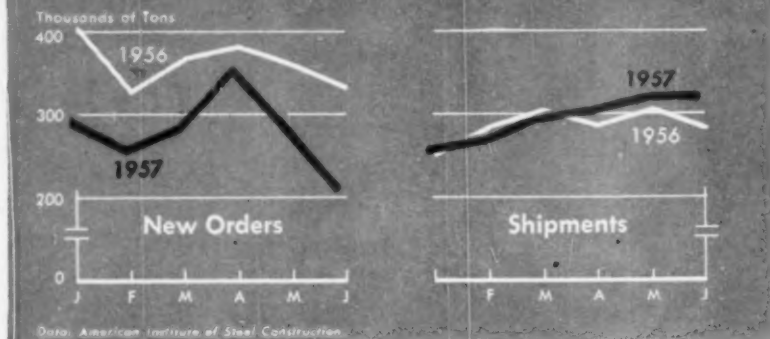
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## CHARTS OF THE WEEK

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## Orders Are Off Sharply

New orders for structural steel dropped 35% below their year-ago level in June, and were down 21% for the first six months of the year. These orders are generally considered a good indicator of future heavy construction trends, because fabricated structural steel is used mostly in buildings and for bridges. So now there is speculation about a possible decline in this type of construction next year.

At the same time, shipments con-

tinued to rise in June, showing an increase over a year ago for the third consecutive month. This resulted in a 200,000-ton decline in order backlogs at the end of June. However, total unfilled orders of 3.2-million tons were still 13% higher than last June. Delivery time has been shortened considerably, which is good news to contractors who had been wrestling with a shortage of structurals for a couple of years.

### New Orders for Paperboard



## Still No Gains in Orders

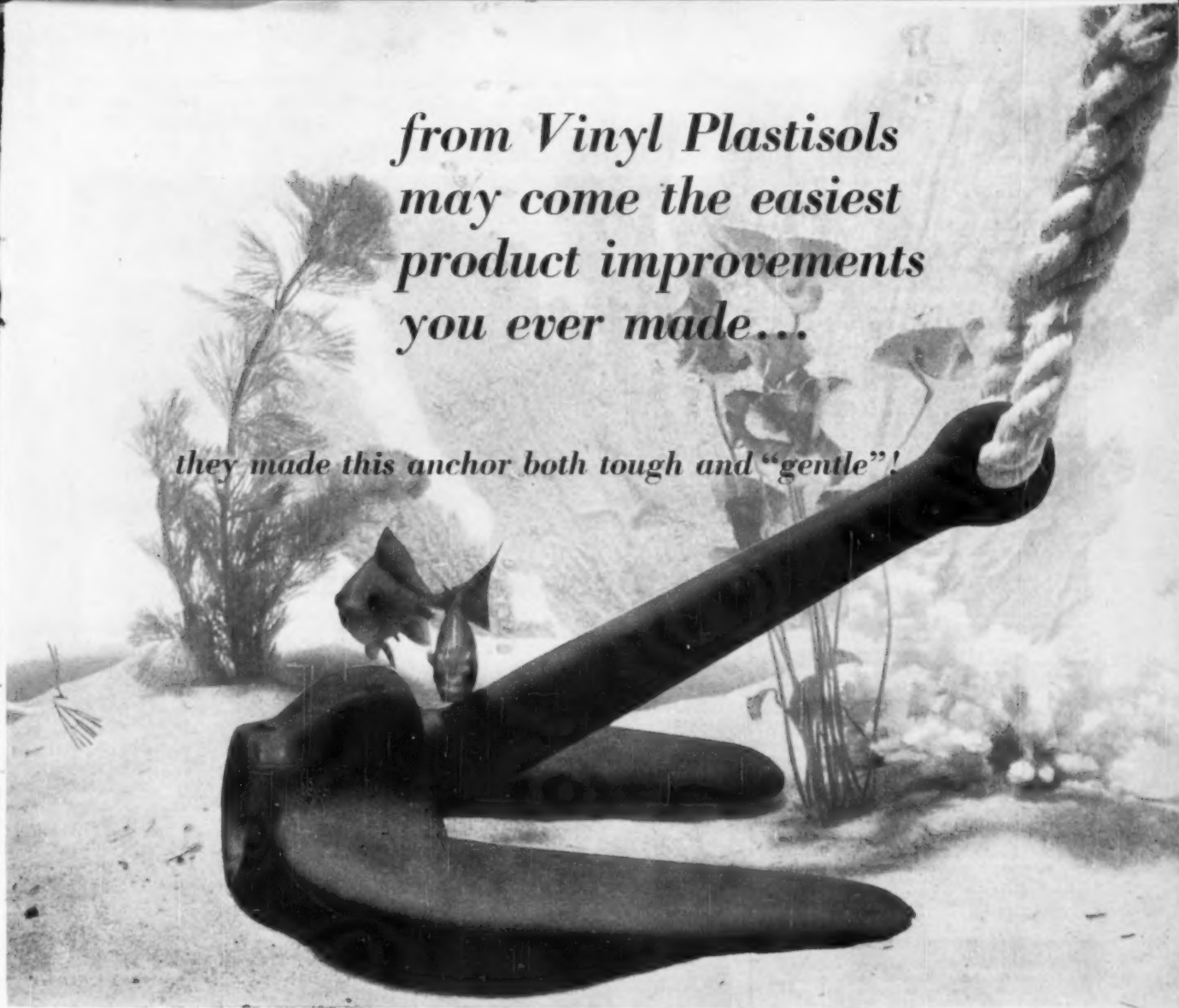
New orders for paperboard, reflecting the decline in packaging needs, have shown no gain for about a year and a half. In July, they were at the lowest level since January, 1955. During the first seven months of 1957 orders lagged about 4% behind the comparable year-ago period.

Production also has been trailing year-ago levels for well over a year. Despite the lower level of production, the order backlog has been reduced considerably. At the end of June, unfilled orders of 370,700 tons were the lowest since December, 1954. Seasonally lower production in the early part



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# clues:

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of Management  
Men's Problems

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**Operating Executive \$1. V-P Mfg or Gen Mgr.** \$25,000 base. Prefer Chicago or Pittsburgh. Write for resume. PW-5791, Business Week.

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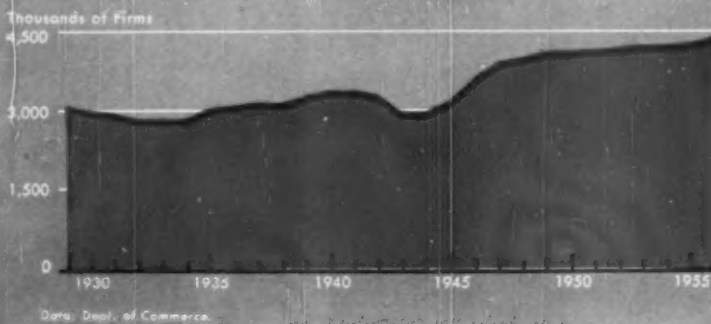
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of July than in June resulted in an increase in unfilled orders on July 31. Toward the end of July, production re-

turned to seasonal levels, and if this continues the order backlog will be drawn down again in August.

## Business Population



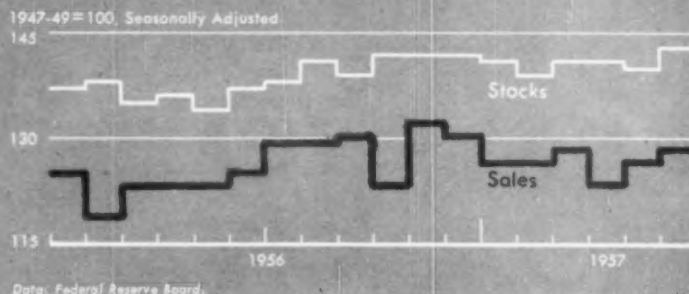
## An Over-All Increase

There were 4.3-million business concerns operating at the beginning of this year. The net rise of 50,000 firms during 1956 about matched the 1955 increase. All major industry groups except manufacturing and construction could boast a record number of operating concerns.

The decline in the number of manufacturing concerns continued the downward trend that began in 1952. The number

of contract construction firms at the end of 1956 was 5,000 fewer than the record number doing business as of June 30, 1956. Since the end of World War II, this group had grown more rapidly than any other, but in 1956 its growth slowed to about the rate of the whole business population. All other industry divisions showed an increase in the number of operating concerns during 1956.

## Department Stores



## Inventories Hit a New High

The retail value of stocks at department stores increased to a new high in June after adjustment for seasonal variation. The June index is 2% higher than in May and more than 4% above June, 1956. Department store sales on a seasonally adjusted basis also increased slightly in June: up 1.6% on the month-to-month basis and up 2.4% on the year-to-year basis.

The Federal Reserve Board's estimates of sales-stock ratios for a group of department stores accounting for approximately 50% of total department store sales show inventories at the end of June were 3.1 times sales during the month. A month ago the figure was 3, and a year ago it was 2.8. However, the June ratio is an improvement over the first quarter's 3.5.

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## A New Kind of Defense Crisis

Neil H. McElroy goes to Washington to become Secretary of Defense at a critical time. It is a time made critical not by drama, but by lack of it. The cold war is at no climacteric; the fire in the Middle East is not flaming up; there is no open aggression in Southeast Asia; the Strait of Formosa seems quiet. Meanwhile, we have grown weary—wary of the burdens of defense; anxious about our towering budgets for arms, impatient for a tax cut.

The defense establishment itself is a barrel of writhing eels. A revolution in weapons is under way. Contractors live or die by decisions on the pace and direction of that revolution. The services fight a stubborn jungle warfare among themselves for authority, jurisdiction, money, convinced that the size of their role in the revolutionized weapon-world is being decided now. The Budget Bureau and the Treasury have the Defense Dept. under constant siege; this is the locus of government spending that dwarfs everything else. Politicians find defense policy perfect grist for the mills of demagoguery and a national election impends next year. Under the circumstances, how is one really to know whether a blanket cut of \$2-billion in defense expenditures, a blanket order to hire no more civilians, makes sense in terms of the nation's defense needs, or whether one or the other of the many sides engaged in the furious infighting has scored a private victory?

This is the situation as McElroy becomes Secretary. It is unfair to ask him to pass any miracles. But it is both fair and right to ask that he be Secretary for defense; that he not let the Budget Bureau make the nation's defense policies, nor the Treasury dictate weapon emphasis; that he not become a stooge for any arm of the services, nor a procurer of votes for any politician.

What the nation needs at this critical time is someone who is firm in the belief that a strong and ever more effective American defense program is the most important thing in the world, and who will fight for it against all the claims of expediency or the rigors of fatigue. We fervently hope and believe that McElroy is such a man.

## The Labor Racketeers

The stream of unsavory revelations continues to gush from the McClellan committee. Men who have some claim to the title of labor leadership of bona fide labor unions and others who create and manipulate spurious organizations they call unions are being exposed as shake-down artists, extortionists, thieves, and petty crooks. Mobsters are employed for muscle jobs by some of the most respected unions. George

Meany, president of the AFL-CIO, who seems to be trying seriously to get the labor movement to clean itself up, already begins to look like the little Dutch boy with his finger in the cracking dike. In the case of a Johnny Dio, who prints his own union charters and uses them as a license to prey upon workers and employers alike, Meany can do nothing. Nor can the district attorney be effective. This isn't the old-fashioned type of racketeering that the law squarely covers.

New laws are needed; laws that comprehend the new and ingenious forms of crookedness and make them definable, punishable crimes. Perhaps the way to begin is to write a definition of legitimate union activity and a code of conduct for union officials, and outlaw those that do not meet that standard. This will not be easy to do, nor easy to enforce. Intimidated workers and employers who see a better bargain in dealing with scoundrels will make real difficulties.

But let's get on with the job. The McClellan committee says it has only begun to scratch the surface. It should go on with its digging until everything is revealed. But it is time now to set up a task force to work with the executive departments in formulating specific legislative recommendations. We may have seen only part of the picture; it's still enough to know that a start should be made on finding adequate remedies.

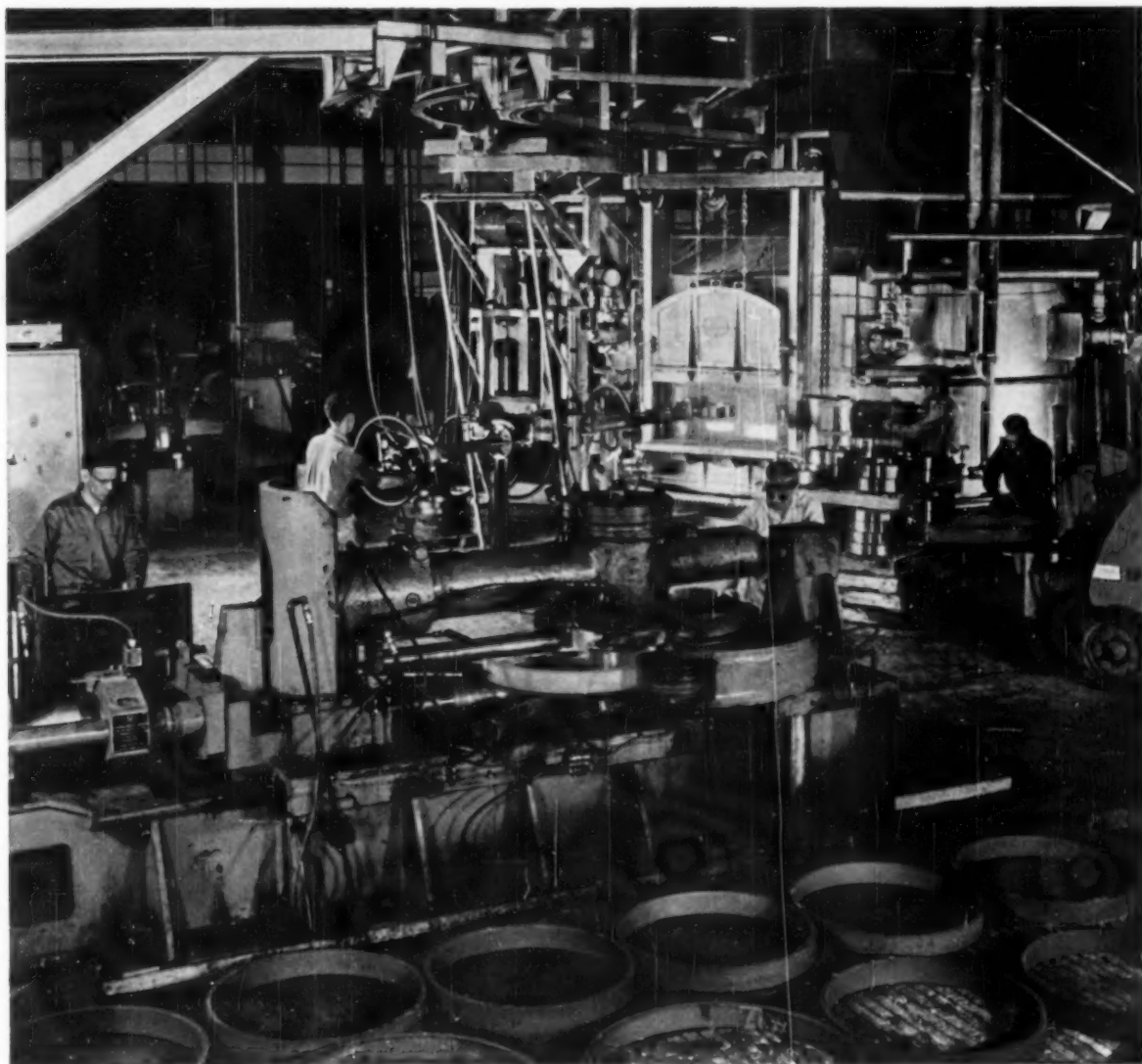
## Using Niagara

The Niagara River has been running more or less in its present bed since the last Ice Age, and perhaps on that time scale the delay of seven years in getting legislation to develop the unused hydro power potential of 1.8-million kw. isn't excessive. But a nation that prides itself on getting things done can hardly take pride in the length of time it took to pass the simple and obvious enabling authority that finally cleared the Senate this week (page 32).

With the bill passed, the nation will get the benefit of harnessing its last great hydroelectric resource. The power that will flow from the project will feed the power-hungry industry in northern New York and the whole Northeast—industry that came close to being starved out during the endless debate between the partisans of public power and the unyielding advocates of private power.

No new principle is involved in the compromise settlement—unless recognition of the folly of further delay represents a new principle. But the final solution makes sense from every standpoint. The pity is that it wasn't settled long ago.





METAL FINGERS carry glowing rings to roll-forming press, later leave them to cool before finish machining.

*d'Arzies*

## bright bracelets for Jets

*Cooper Alloy know-how found a better way to make them.*

Soon these rings will bind a jet's fiery heart. They must be strong, precisely shaped and made of stainless steel to laugh at heat that eats most metals.

**How C-A makes them.** Uniquely born from hollow ingots poured in Cooper Alloy's own melt shop, they are roll-forged by this mechanical "blacksmith". Result: they need minimal machining, are far freer from stress than conventional rings. All this takes special skill but permits precise control, and together

with Cooper Alloy's welded rings, enables complete and speedy servicing of customer's needs.

**What C-A know-how means to you.** For 35 years, Cooper Alloy has pioneered in casting, shaping and machining stainless steel—the shining alloy that defies so many types of deadly corrosion. Cooper Alloy gives you the BIG 3 so important to management men: quality, quantity and ultimate economy. These are good reasons to specify **COOPER ALLOY's** advanced know-how.



# COOPER ALLOY

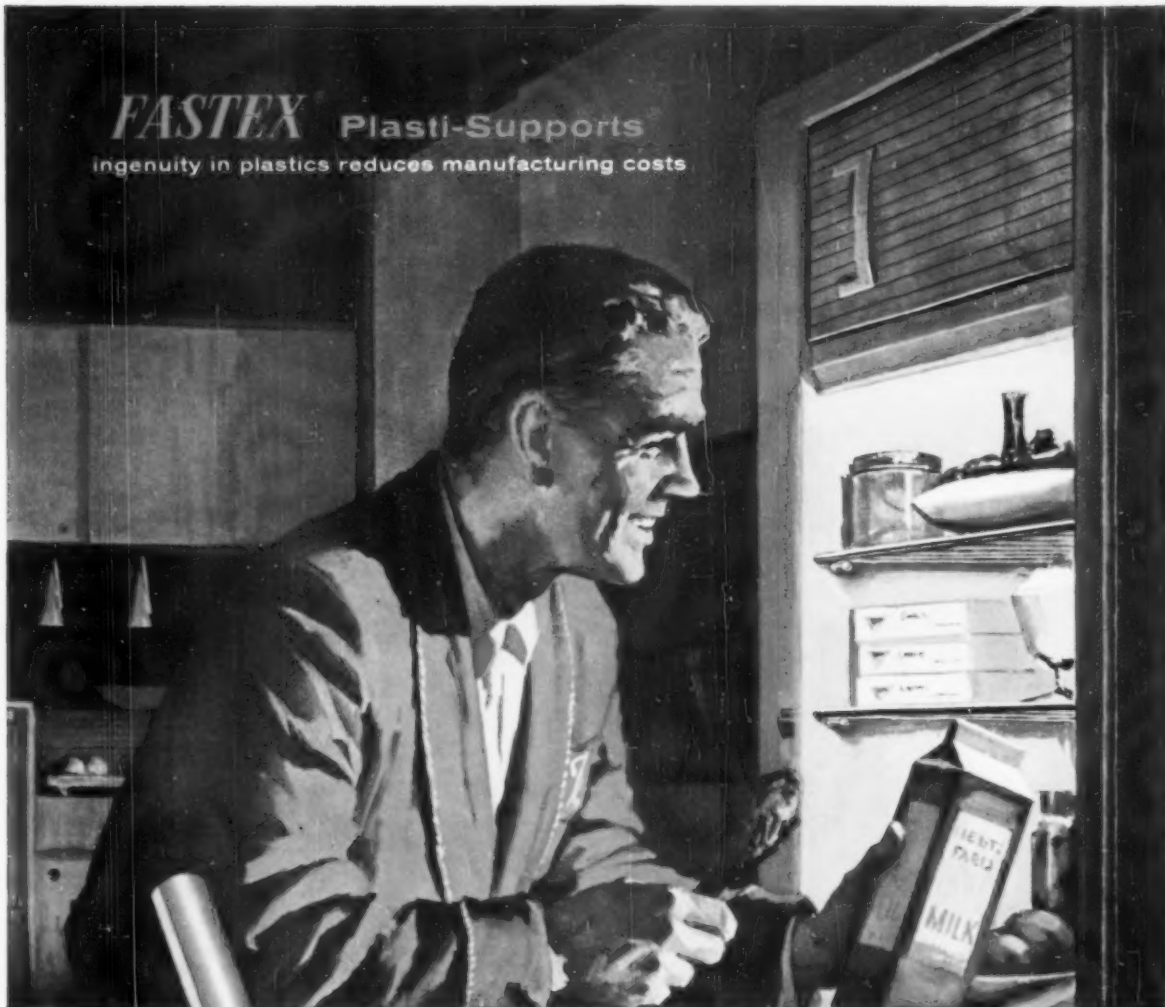
Corporation • Hillside, New Jersey  
PLANTS AT HILLSIDE AND CLARK, N. J.

*Stainless Steel Rings by Cooper Alloy—  
millions of pounds help the nation's jets fly*

**SPECIALISTS in** *Stainless Steel valves, fittings, castings, aircraft rings; Plastic pumps, pipe, valves, fittings*

# FASTEX Plasti-Supports

Ingenuity in plastics reduces manufacturing costs

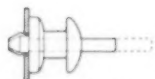


New one-piece plastic blind rivet supports refrigerator shelves... is faster to apply, ends risks of cracked porcelain enamel

**i** ingenuity  
**t** that  
**w** works



Plasti-Supports demonstrate how Fastex Creative Engineering eliminates extra parts, simplifies assembly and improves product appearance for mass-production industries. These and other engineered plastic and metal components are manufactured by the millions in the integrated design and production facilities of Fastex Division.



Blow drives pin through hollow shank



Pin expands the prongs to lock tight

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- FASTEX DIVISION, Plastic and Metal Components
- SHAKEPROOF DIVISION, Fastening Headquarters
- POWER TOOLS DIVISION, Automatic Screw Drivers and Hoppers
- ILLINITE DIVISION, Metal Cutting Tools
- MACHINE AND INSTRUMENT DIVISION, Measuring Machines
- SPIROID DIVISION, Modern Gears
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